

The Coca-Cola Company Annual Report -- 1980

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CONTENTS

1	Financial Highlights
3	Letter to Stockholder
5	The Aus in Gals
7	Soft Drink Operations
15	Foods Division
21	The Wine Spectrum
24	Aqua-Chem, Inc.
25	Financial Information
25	Directors and Officer
43	Other Information

The Coca-Cola Company is the world leader in production and distribution of syrups and concentrates for soft drinks. More than 35 percent of all soft drinks consumed worldwide in 1980 were Company products, sold through about 1,500 bottlers and 3,600 fountain wholesalers in over 135 countries.

As the largest segment of the Company's business, soft drink products in 1980 generated 76 percent of net sales and 85 percent of operating income. The product Coca-Cola accounts for about 70 percent of the Company's soft drink sales volume. Other leading products in the Company's worldwide soft drink line include Sprite, TAB, Fanta Orange, Fresca, Hi-C, Lead, Lift, and Cappy. Sales outside the United States of these and many other soft drinks, including Coca-Cola, now represent 63 percent of the Company's total soft drink unit sales volume.

The Coca-Cola Company Foods Division, the world's largest citrus processor, produces and markets the well-known Minute Maid brand of frozen concentrate and chilled juices; Maryland Club and Butter-Nut coffee and tea, and Hi-C fruit drinks and powdered drink mixes. Other Company subsidiaries produce disposable plastic bags, wrap, cutlery and straws, and bottled water.

The Wine Spectrum, now the fourth largest wine producing and marketing organization in the United States, encompasses The Taylor Wine Company, Inc. (and its Great Western brand), Sterling Vineyards and The Monterey Vineyard.

Another subsidiary is Aqua-Chem, Inc., producer of steam generators, industrial boilers and water treatment equipment for many applications.

About 19,500 people are employed by the Company in the United States and about 21,500 overseas, the majority of whom are native to the countries in which they work. Common stock in The Coca-Cola Company, exceeding 123 million shares, is traded on the New York Stock Exchange and owned by almost 80,000 stockholders.

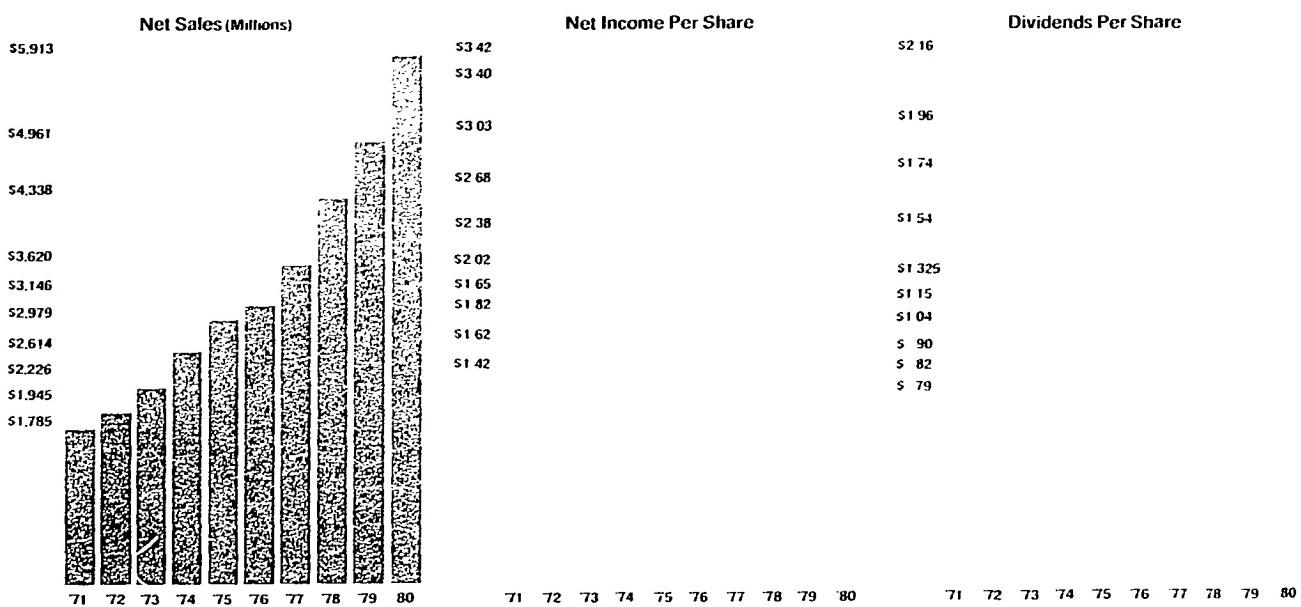
The Coca-Cola Company

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Financial Highlights (In millions except per share data)

The Coca-Cola Company and Subsidiaries

YEAR ENDED DECEMBER 31,	1980	1979	% Change
Net sales	\$5,912.6	\$4,961.4	19.2%
Operating income	\$ 768.3	\$ 719.4	6.8%
Income before income taxes	\$ 764.3	\$ 742.2	3.0%
Net income	\$ 422.1	\$ 420.1	.5%
Net income per share	\$ 3.42	\$ 3.40	.6%
Dividends per share	\$ 2.16	\$ 1.96	10.2%
Stockholders' equity at year-end	\$2,074.7	\$1,918.7	8.1%
% Net income to net sales	7.1%	8.5%	
% Net income to average stockholders' equity	21.1%	23.0%	





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To Our Stockholders

The Coca-Cola Company recorded a strong increase in net sales in 1980. Net income, however, was only slightly above 1979 levels, largely due to a 16 percent profit decline in the third quarter. The third quarter decline resulted from disappointing foreign soft drink sales caused by a combination of economic and weather-related problems. We are pleased to report, however, that fourth quarter operating income increased 27 percent, and net income rose 8 percent, based on renewed foreign unit sales growth and continued growth in U.S. soft drink and non-soft drink lines. We expect these more favorable trends to continue into 1981.

Net sales for 1980 increased 19 percent to \$5.91 billion from \$4.96 billion a year ago. However, the costs of producing and marketing products and administrative and general expenses grew at even faster rates, resulting in an operating income gain of 7 percent over 1979. The Company's interest expense and effective income tax rate in 1980 were significantly higher than in 1979; these effects, together with the relatively moderate increase in operating income, combined to limit net income to \$422 million or \$3.42 per share, compared to \$420 million or \$3.40 per share in 1979.

In 1980, operating income of the Company's domestic operations increased 9 percent, including increases from both soft drink and non-soft drink operations. Operating income from the Company's foreign operations increased 8 percent in 1980.

Soft Drink Sales, Income Up

Combined net sales of the Company's soft drink products worldwide increased 20 percent in 1980, and operating income rose 7 percent over the prior year.

Unit sales volume at retail of the Company's soft drink operations in the United States was up 4 percent compared to 1979. However, due to December 1979 bottler and fountain wholesaler inventory buildups in anticipation of January 1980 price increases, unit shipments of syrups and concentrates were up only slightly more than 2 percent. Sales of Company products at retail continue to grow faster than the soft drink industry in both the take-home and away-from-home segments of the market. In 1981, the Company expects a continued good performance from its United States soft drink operations.

Foreign soft drink unit sales volume was up

4 percent in 1980, following gains of 10 percent or more in both 1978 and 1979. The 1980 gain was reduced by a combination of economic and weather-related events in key foreign markets, particularly in the third quarter when foreign unit sales declined 5 percent. Among the Company's largest foreign markets, Argentina, Brazil and Africa reported sizable gains for the year. Sales in Germany, Canada and Spain were slightly ahead of 1979 levels. Unit sales in Mexico were up moderately for the full year and would have been significantly higher if not for the effects on soft drink sales of a system-wide price increase. Unit sales in Japan were down more than 10 percent for the year, resulting from a record rainy summer and economic softness which have hurt the soft drink industry in that country. In 1981, the Company expects total foreign unit sales gains to be significantly greater than in 1980. The Company expects moderate to strong unit gains from each of its major operations, including Mexico and Japan.

Non-Soft Drink Growth Continues

Total sales from the Company's non-soft drink operations increased 16 percent in 1980, and operating income rose 20 percent over 1979.

The Foods Division in 1980 recorded another fine year, achieving significant increases in both sales and earnings. Full-year unit sales volume of the Company's frozen and chilled citrus products increased 15 percent and 35 percent, respectively. Coffee unit volume was down as part of an overall industry decline.

The Wine Spectrum's aggressive marketing in the premium table wine segment of the industry continued to bring good results in 1980. Unit sales volume rose by almost 40 percent over 1979. More importantly, however, The Wine Spectrum showed an increase in profits during 1980 after three consecutive years of declining profits resulting from heavy introductory marketing investments.

Sales and income from plastic consumer products continued to show solid growth. Aqua-Chem sales and income were also well above 1979 levels.

In 1981, we anticipate good increases in consolidated operating and net income, above historic growth trends. Our expectation is based on continued good performances from U.S. soft drink and non-soft drink operations, plus the absence in 1981 of the foreign operating problems and unfavorable tax and interest

Top:
Roberto C. Goizueta,
Chairman, Board of
Directors, and Chief
Executive Officer.

Left:
Donald R. Keough,
President and Chief
Operating Officer.

Right:
John K. Collings, Jr.,
Vice Chairman,
Chief Financial Officer
and Treasurer.

comparisons which adversely affected the 1980 net income gain.

Management Identifies Long-Range Goals

During the decade of the 1970s, sales and earnings of The Coca-Cola Company grew at a compound rate between 12 and 13 percent, an impressive record, although net earnings increased only slightly in 1980. In recognition of higher rates of inflation, the Company's goals during the decade of the 1980s will be to achieve unit growth rates greater than those of the markets in which we do business, earnings growth above historical trends and significantly higher than the rate of inflation, and increased returns on assets. Management firmly believes that these goals are achievable based upon the underlying strength of the Company's soft drink and non-soft drink operations.

With these goals in mind, we conducted an intensive global review of operating expense budgets during 1980 to reensure that our operations are being run as efficiently as possible. We also are reexamining the way we manage our working capital requirements to provide added funds for investment in the various areas of our business. Furthermore, we will be looking closer than ever before at the management of productivities—of assets and of people.

In July of 1980, President Carter signed into law the Soft Drink Interbrand Competition Act. This Act upholds the territorial provisions of the United States bottler contracts of The Coca-Cola Company and other soft drink companies and further strengthens the bottler system.

In November of 1980, the Company began steps to purchase The Coca-Cola Bottling Company of New York, Inc. (Coca-Cola New York), the largest U.S. bottler of Coca-Cola. Pending completion of definitive financial arrangements, this operation will be resold to a new company owned by a combination of third party investors, the current management of Coca-Cola New York and The Coca-Cola Company. This transaction was undertaken to assure the continued aggressive management of this bottling company.

In 1980, the Company recorded a high 21 percent return on average stockholders' equity. The Company's cash and securities position at year-end 1980 was \$289 million, compared to \$209 million at year-end 1979. The Company's total debt at December 31, 1980, was \$228 million, compared to \$139 million at year-end 1979. Our \$100 million note offering in June of 1980 was consistent with our conservative financial philosophy. The sharp decline in

interest rates gave us an opportunity to substitute an intermediate-term note for some of the Company's short-term, primarily seasonal, borrowings at an attractive interest rate of 9-7/8 percent. At year-end 1980, however, long-term debt, expressed as a percentage of stockholders' equity, was only 6 percent.

Board Announces Elections

At its March 4, 1981, meeting, the Board of Directors elected Donald R. Keough president, chief operating officer and a director of the Company and John K. Collings, Jr., vice chairman of the Company and a director. Mr. Collings will continue to serve as chief financial officer. Charles W. Duncan, Jr., a former president and director of the Company, was elected to the Board. Mr. Duncan had previously served on the Board before entering four years of government service as U.S. Deputy Secretary of Defense and U.S. Secretary of Energy.

Previously president of The Coca-Cola Company Foods Division and, later, Coca-Cola USA, Mr. Keough most recently has been senior executive vice president with responsibility for all operating units and the Corporate Marketing Division.

Mr. Collings joined the Company as president of Aqua-Chem, Inc., when it was acquired in 1970 and has served as executive vice president, treasurer and chief financial officer since 1979.

Dividend Increase Declared

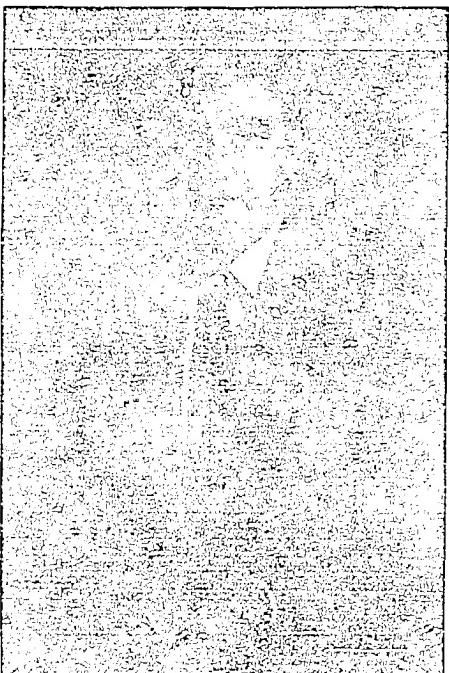
In other Board action, the Directors increased the quarterly dividend from 54 cents per share to 58 cents per share, equivalent to a full-year dividend in 1981 of \$2.32 per share, or a 7.4 percent increase over the 1980 dividend. This is the 19th consecutive year the Directors have approved dividend increases.

New management looks forward to building upon the Company's record of growth established under Paul Austin's direction and is excited about the opportunities in every market and industry in which we operate.



Roberto C. Goizueta
Chairman, Board of Directors,
and Chief Executive Officer

J. Paul Austin retired as chairman of the Board and chief executive officer of The Coca-Cola Company on March 1, 1981—bringing to a close a distinguished career spanning more than three decades. Mr. Austin was elected president and a director of the Company in 1962, chief executive officer in 1966 and chairman of the Board in 1970. Although he will continue to serve the Company as a consultant, this tribute highlights the growth and success The Coca-Cola Company enjoyed under his dedicated leadership.



His early and rapid advancement from a position in the Legal Department in 1949 to his election as a vice president of The Coca-Cola Export Corporation four years later foretold the dramatic growth the Company would later achieve under Paul Austin.

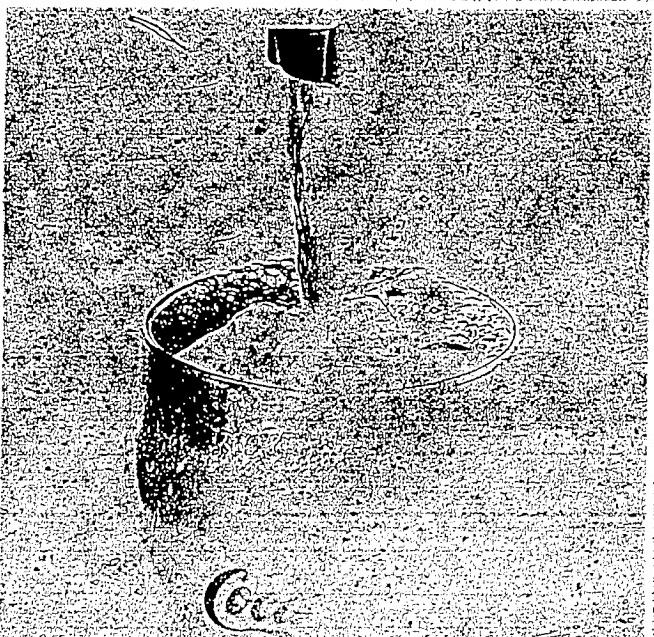
In 1962, when Mr. Austin became president of the Company, sales were \$567 million and earnings \$47 million. He leaves as his legacy a Company nearly 10 times that size. It took more than 80 years for The Coca-Cola Company to achieve \$1 billion in sales, a milestone surpassed in 1967. Under Mr. Austin's guidance, that figure quintupled in just 12 years.

Under his direction, the Company continued its dedication to the product Coca-Cola and broadened its product line to offer a variety of soft drink brands, fruit juices and drinks, coffee and tea, wines, water technology equipment, and plastic consumer products. The Coca-Cola Company Foods Division, established in 1967 from the Company's Minute Maid and Duncan Foods operations, is now a billion-dollar business and the world leader in citrus processing. The Wine Spectrum, initiated in 1977, has surged to a prominent position as the fourth largest U.S. wine producer.

Although the Company's premier product, Coca-Cola, was first introduced in foreign markets around the turn of the century, Mr. Austin spearheaded a highly successful effort continually and aggressively to expand the markets for Coke and other Company products around the world. Two of his proudest achievements were attained in 1979: the reentry of Coca-Cola into China, and the introduction of Fanta Orange soft drink in the Soviet Union (where Coca-Cola presently is excluded by existing contracts). That year also marked the reintroduction of Coca-Cola into the Egyptian market after a 12-year absence.

During Mr. Austin's tenure, the Company strengthened its policy of good corporate citizenship and developed the technology to support it. The creation and sponsorship of projects in nutrition, economic development, health, the environment, arts and culture, and many other areas are outgrowths of this effort.

The Board of Directors, the officers and the employees of The Coca-Cola Company join in saluting a great leader and friend, J. Paul Austin, and pay tribute to him and to the heights the Company achieved during the Austin years.



Soft Drink Operations

The Coca-Cola Company is the world's leading producer and marketer of soft drinks, commanding more than a 35 percent share of the worldwide carbonated soft drink industry. Soft drinks continue as the primary source of sales, profits and growth for the Company.

Soft drinks in 1980 comprised 76 percent of the Company's total net sales and 85 percent of total operating income. Sales revenues from soft drinks increased 20 percent to \$4.52 billion from \$3.76 billion in 1979. Operating income rose 7 percent to \$732 million, up from \$686 million in 1979.

About 63 percent of combined soft drink unit sales were in countries outside the United States and Puerto Rico. Coca-Cola, the Company's premier product, accounted for about 70 percent of the Company's global soft drink volume.

Altogether in 1980, the Company sold almost 1.3 billion gallons of soft drink syrups and concentrates worldwide, equal to about 135 billion eight-ounce, finished beverages.

Soft drink operations of The Coca-Cola Company were divided into four geographic groups in 1980: Coca-Cola USA, the Pacific Group, Coca-Cola Latin America, and the Europe and Africa Group.

Coca-Cola USA Earnings Up

Coca-Cola USA markets more than 35 percent of the Company's total soft drink volume, manufacturing soft drink syrups and concentrates in 16 branch operations and distributing them to over 500 franchised bottlers—14 of which are Company-owned—as well as to over 3,600 fountain wholesalers. In turn, these bottlers and wholesalers market and distribute Company products to more than one million retail locations and more than 200,000 food service outlets across the country.

The year 1980 was one of significant accomplishment for the Coca-Cola USA division. Earnings increased over 1979 as a result of more efficient marketing and more effective cost controls, placing the division in a stronger position for future growth.

Unit sales of Coca-Cola USA products at retail were up 4 percent. Actual syrup shipments in 1980 increased slightly more than 2 percent, less than the unit gain at retail, because bottlers and fountain wholesalers were building their stocks of inventory late in 1979 in anticipation of a January 1980 syrup price increase, at the expense of 1980 sales.

Company brands now account for more

than 35 percent of total U.S. soft drink consumption. In 1980, the Company's products continued to outsell the competition and set the pace for market growth in all segments of the market, including food stores, coin vending and fountain outlets. Particularly favorable trends were established in the food store segment of the industry, which accounts for about 42 percent of all industry sales volume. Sales of Company products through fountain outlets also climbed ahead of 1979 levels.

Legislation Strengthens Bottler System

A key event of the past year in the U.S. was passage of the Soft Drink Interbrand Competition Act. This Act recognizes the validity of territorial sales contracts as long as substantial and effective interbrand competition exists within a territory. Challenged by the Federal Trade Commission in a suit pending since 1971, such contracts have been an integral part of the Company's relationships with its bottlers. The U.S. Court of Appeals now has set aside the FTC's order barring exclusive bottling territories and has remanded the matter to the FTC for dismissal.

In carrying out its commitment to a strong, independent franchised bottler system, Coca-Cola USA has increased its efforts to maintain a close working relationship with its bottlers. The division sold its Baltimore bottling operation to its franchisee in Washington, D.C., and Richmond, Virginia, to complete that bottler's natural marketing area.

To further enhance the natural marketing areas of Company-owned bottling operations, which account for about 15 percent of total U.S. bottler gallonage, the Company has made minor acquisitions in the California, Washington, Oregon, Michigan, and Wisconsin operations. The Company's new bottling plant in Needham, Massachusetts, began operation in 1980 as the largest soft drink bottling plant under one roof in the Western Hemisphere.

Corn Sweetener Authorized

In 1980, Coca-Cola USA authorized bottler production of syrup for Coca-Cola from concentrate and led the industry by authorization of 50 percent use of high fructose corn syrup 55 (HFCS-55), another form of sugar, in the Company's principal product, Coca-Cola. Coca-Cola containing 50 percent HFCS-55 is of the same quality, stability and taste as product containing 100 percent of the authorized cane or beet sugar sweetener.

Major soft drink products of The Coca-Cola Company include:

*Coca-Cola
Sprite
TAB
Mello Yello
Fresca
Mr. PIBB
Ramblin' Root Beer
Fanta
Hi-C soft drinks*



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By authorizing use of HFCS-55 in Coca-Cola and committing to future purchases, the division encouraged investment by the entire corn wet-milling industry in new HFCS-55 capacity triggering its availability to the entire soft drink industry sooner than otherwise possible. In addition to use of the corn sweetener in all of the Company's allied products, approximately half of all sales of Coca-Cola are now in the new 50/50 blend.

Packaging innovations also continued, including test marketing of a half-liter plastic (P.E.T.) one-way bottle. The bottle replaces previous generic designs for plastic packaging with the characteristic contour shape familiar to consumers of Coca-Cola everywhere. Initial consumer reaction has been highly favorable.

Also unveiled in 1980 was a newly designed vending machine for Coca-Cola featuring a large, vertical logo of "Coke" illuminated through a virtually unbreakable plastic front. The new machine, coupled with the continuation of the Company's equipment financing program for its bottlers, is expected to further increase Coca-Cola USA's market share lead in this important business segment.

As it has since 1928, the Company continued its Olympic support in 1980 when Coca-Cola was the official soft drink of the Olympic Winter Games in Lake Placid, New York. Similar arrangements have been finalized for the 1984 Summer Games, to be held in Los Angeles.

Advertising awareness for Coca-Cola maintained its high level with the "Have a Coke and a smile" theme first introduced in mid-1979. The product's popular "Mean" Joe Greene commercial received the highest accolades of both consumers and the advertising industry and captured numerous awards as the best television commercial of 1980.

Allied Brands Show Excellent Growth

Allied soft drink brands continued to show strong U.S. sales in 1980. Gaining 10 percent in unit sales, TAB significantly increased its household penetration and is the nation's sugar-free leader in all channels of distribution.

Sprite, the Company's third largest U.S. brand, was introduced into Los Angeles, the nation's second largest soft drink market, in 1980. The brand is now available virtually nationwide and continues to gain market share within the lemon-lime category as it significantly outgrows its principal competition.

Fresca, with an improved formulation, new packaging graphics and advertising, reached full national availability in 1980, supported by the most extensive sampling program ever conducted for a soft drink product.

Top left: The Coca-Cola Company leads the world in production and distribution of soft drink syrups and concentrates. In the U.S., 16 Coca-Cola USA branch operations provide syrups and concentrates for bottlers and fountain wholesalers.

Top right: Coca-Cola, the world's number one soft drink by a wide margin, is marketed by more than 1,500 franchised bottlers around the globe. By providing superior service to retailers, bottlers of Coca-Cola reinforce the Company's sales leadership in the U.S. take-home market segment.

Bottom: With its strong appeal to active, diet-conscious consumers, TAB is the number one-selling sugar-free soft drink in the U.S. A 10 percent unit sales increase in 1980 enhanced the brand's domestic leadership.

Mello Yello, "the World's Fastest Soft Drink," continued its rapid growth and was available to 62 percent of the U.S. population by year-end, bolstered by its highly successful introduction in New York, the nation's largest market. Unit sales of Mello Yello outpaced the prior year by more than 30 percent.

Mr. PiBB, also reformulated in 1980, introduced a new spicy-cherry taste that is expected to meet with good consumer acceptance. Ramblin' Root Beer continues to perform above expectations in its test markets.

As the only soft drinks on the market with the minimum recommended daily requirement of Vitamin C, Hi-C non-carbonated, flavored soft drinks were repositioned effectively in 1980 as nutritious products for use in schools and tripled in bottler acceptance.

Continued Sales Growth for U.S. Foreseen

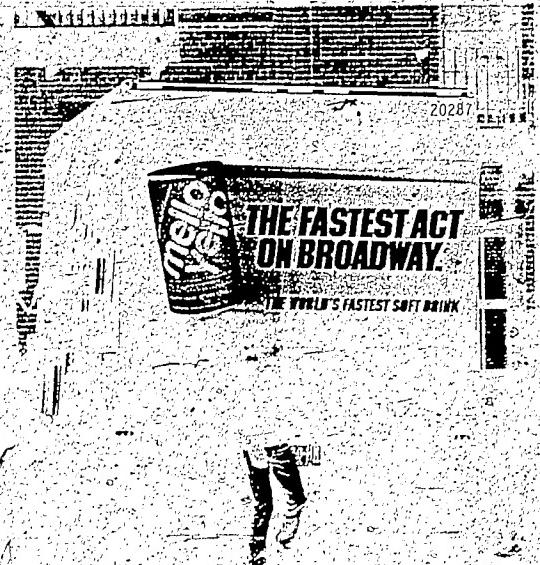
Coca-Cola USA management views the future as promising. In 1981, the division anticipates that the underlying strength of the domestic soft drink industry will generate industry unit growth of about 3 percent in spite of the relatively soft economy and that Company growth will again exceed industry growth. The continued increase in per capita consumption of soft drinks, matched by expanding distribution to areas such as drugstores and mass merchandising outlets, indicates a favorable environment for future sales.

By commitment to high quality, continued product improvement, innovative packaging and sales support to its bottlers and wholesalers, Coca-Cola USA is positioned to gain a larger share of the U.S. market.

Pacific Markets Anticipate Upturn

The performance of the Company's Pacific Group, which last year comprised a 12,000-mile arc of countries stretching from Canada to Australia, including Japan, was hindered by negative operating conditions in several markets as unit volume declined by 6 percent. As a result, 1980 profits were below 1979 levels.

Japan, the Pacific Group's major market and the fourth largest in the world for the Company's products, suffered through its worst weather in over a century. The record rainfall greatly affected sales during the key summer months, when a large percentage of soft drinks are purchased from outdoor vending machines and coolers. Due to the poor weather, compounded by a flattened economy and a decline in consumer spending, unit sales of soft drinks in Japan were more than 10 per-



THE FASTEST ACT
ON BROADWAY.

THE WORLD'S FASTEST SOFT SWIPE

cent under 1979 levels in an industry which dropped by an even greater amount.

With per capita consumption of soft drinks in Japan only 20 percent of that in the United States, the Company's primary focus will remain on promoting the outstanding potential for Coca-Cola and other Company products in all segments of the market. Anticipating an improved economy and favorable weather, the Company expects unit sales growth to rebound with a 5 to 10 percent increase in Japan in 1981, but recognizes the need to re-stimulate consumer demand.

Chinese Bottling Plant to Open

The introduction of Company soft drinks in the People's Republic of China continued on schedule in 1980 as ground was broken for the first bottling plant, near Beijing (Peking). Slated to open in the spring of 1981, the plant will have a capacity of two million cases per year. Both Coke and Fanta Orange have been shipped into China for limited sale to foreign visitors since 1979, and these products are in great demand. The People's Republic of China offers vast potential for Company soft drink sales in the coming decade.

Another growth market is Australia, where a unit sales increase of almost 15 percent out-paced the industry in 1980. The Company's leadership position in Australia is underscored by the fact that TAB is now the number two cola (behind Coca-Cola) in this well-developed and highly competitive market. An improving economy, matched by recent innovations in packaging and a strengthened fountain segment, has positioned the Company for continued good growth in 1981.

In Canada, sales volume was slightly ahead of last year. Company performance late in the year was encouraging, and a moderate increase in Canadian sales volume, slightly higher than the industry, is anticipated in 1981.

The entire Canadian soft drink industry continues to be adversely affected by the 1979 government ban on the 1.5-liter returnable bottle, which formerly accounted for about 15 percent of sales. The bottle has now been re-approved based on new design specifications, and it is expected that the equipment necessary to meet the new regulations will be put in place by the fourth quarter of 1981.

The Pacific Group's Far East Division includes the newly industrialized countries of South Korea, Taiwan, Hong Kong, and Singapore, and the developing countries of the Philippines, Thailand, Malaysia, and Indonesia. With typically rapid growth in population, gross national product and per capita income,

most of these nations have been important growth markets for the Company. In 1980, however, poor weather, a depressed economic climate and political unease in key countries resulted in a reduction in unit sales volume of about 5 percent for the area as a whole.

Sales in Korea dipped about 10 percent in 1980, a lesser rate of decline than the Korean soft drink industry as a whole. Sales also decreased moderately in the Philippines. In Thailand, the Company outperformed an industry whose volume was down due to severe retail price increases; a solid gain in Company sales volume is seen for 1981.

For the Pacific area markets, a general upturn in operating conditions is expected to spur unit sales growth between 5 and 10 percent in 1981, following the decline in 1980. Long-term prospects are even more favorable.

Momentum Increases in Latin America

Momentum continues particularly strong for Coca-Cola Latin America, reflecting both improved political and economic stability. Latin American operations, which include the major markets of Mexico, Brazil and Argentina, achieved an 8 percent gain in unit sales and a good increase in profits in 1980.

In Mexico, the second largest market for the Company's products after the United States, sales were up moderately, and bottler expansion was intense. Volume growth would have been significantly greater if not for a bottling plant strike in the Mexico City territory and the effects on consumption of an industry-wide price increase. A booming economy and the addition of seven new bottling plants, plus increased capacity in existing ones, position the Company for an excellent year in 1981.

In Brazil, despite serious balance of payments and inflation problems, Company business moved forward. Concentrate shipments for Coca-Cola and allied brands were up more than 10 percent, far above the industry as a whole. Bottlers continue to invest in new facilities and equipment in this important market, where an unusually young population enhances growth potential.

Argentina has emerged as a key profit center where the Company's products lead the market by a wide margin. Industry growth and political stability helped 1980 unit sales volume grow at about 20 percent over 1979, aided by strong performances from Fanta and Sprite. Keeping pace with an increasingly sophisticated market, the Company is introducing low-calorie drinks, cans, one-way glass bottles, and 2-liter plastic bottles. New bottling plants and bottler franchises are being opened as part of a vigorous territorial expansion program.

Top: *Sprite, Coca-Cola USA's third largest brand, made its Hollywood debut in 1980. With its introduction in the Los Angeles area, the lemon-lime-flavored soft drink is now available virtually nationwide.*

Bottom: *New York City welcomed the 1980 introduction of Mello Yello, Coca-Cola USA's successful citrus-flavored soft drink. Unit sales of Mello Yello across the country grew more than 30 percent in 1980.*



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Growing economies and further bottler investment in new plant and distribution facilities have contributed to impressive unit volume gains in Colombia, up almost 15 percent, and Ecuador, up more than 25 percent. Prospects are quite favorable for future growth in volume and profit. In Venezuela, the Company stabilized its position in a competitive market and is implementing a long-range growth plan as business conditions improve.

The consolidated operation of Uruguay/Paraguay accomplished an increase of 15 percent over the solid gains of 1979. The soft drink market in Chile is improving, and 1980 saw both expanded market share and a steady rise in sales volume for the Company. Unit sales also showed good growth in Peru.

Based on increases in total volume and excellent profit growth in 1980, the Company looks for an even better performance from Latin America in 1981.

Sales Volume Up for Europe and Africa

The Europe and Africa Group achieved a 7 percent unit sales volume gain in 1980 and an increase in profits, despite a cold, rainy summer and economic constraints in western Europe. Unit volume increases in western Europe were highlighted by a 7 percent climb in Italy. The Company leads the industry in developing the Italian market, and a successful promotional campaign for Coke has positioned the Company for greater gains in 1981.

Volume was up slightly in 1980 in the slowly developing French market, and Company growth continues to outpace the industry in highly competitive Belgium. A new plastic package and other innovations are being introduced in Belgium to meet consumer demand.

The active German market is the fifth largest in the world for Company products. Germany boasts the largest soft drink industry and the highest per capita consumption of soft drinks in Europe, although the level is about half that of the United States. Company sales gains continued to exceed the industry rate in 1980, but were up only slightly due to a cold, rainy summer and a slowing economy.

The Company continues its leadership and has by far the largest share of Germany's fast-growing cola segment. In 1980, sales of Company products, including Coca-Cola and Fanta Orange, continued to grow faster than the German soft drink industry. Line extensions of Sprite and Fanta and the introduction of 1.5-liter returnable, refillable bottles are among marketing additions expected to complement sales increases there in 1981.

Company performance continues to exceed industry performance in Spain despite the recurring factors of a weakened economy and poor weather. Full-year unit sales were up only slightly, in spite of a healthy fourth quarter gain. Sales efforts have intensified with the introduction of a 2-liter plastic package and a national advertising program. Sprite continues to be highly successful. Spanish bottlers are investing heavily to continue their tradition of steady and consistent growth.

Unit sales in Great Britain decreased 10 percent in 1980 as a result of poor weather and economic problems. Per capita consumption of Coca-Cola has increased 40 percent in the last three years, demonstrating the excellent growth potential seen in this market.

In the Soviet Union, Fanta increased its distribution and sales in Moscow in 1980.

Egypt has become the largest market for the Company in the Middle East following re-introduction of Company products in 1979. In 1980, sales of Company products increased despite the effects of an excise tax which reduced overall soft drink consumption.

In Africa, 1980 results and prospects for the future are excellent. For Nigeria, a healthy economy and additional bottling capacity were key factors in a substantial growth in sales volume, and continued vigorous gains are expected. New packaging and increased personal income levels spurred gains in South Africa, up about 20 percent in unit sales for the year.

In 1981, the Company's Europe and Africa Group is expected to match or exceed its 7 percent unit growth rate of 1980, including a significantly improved performance in western Europe.

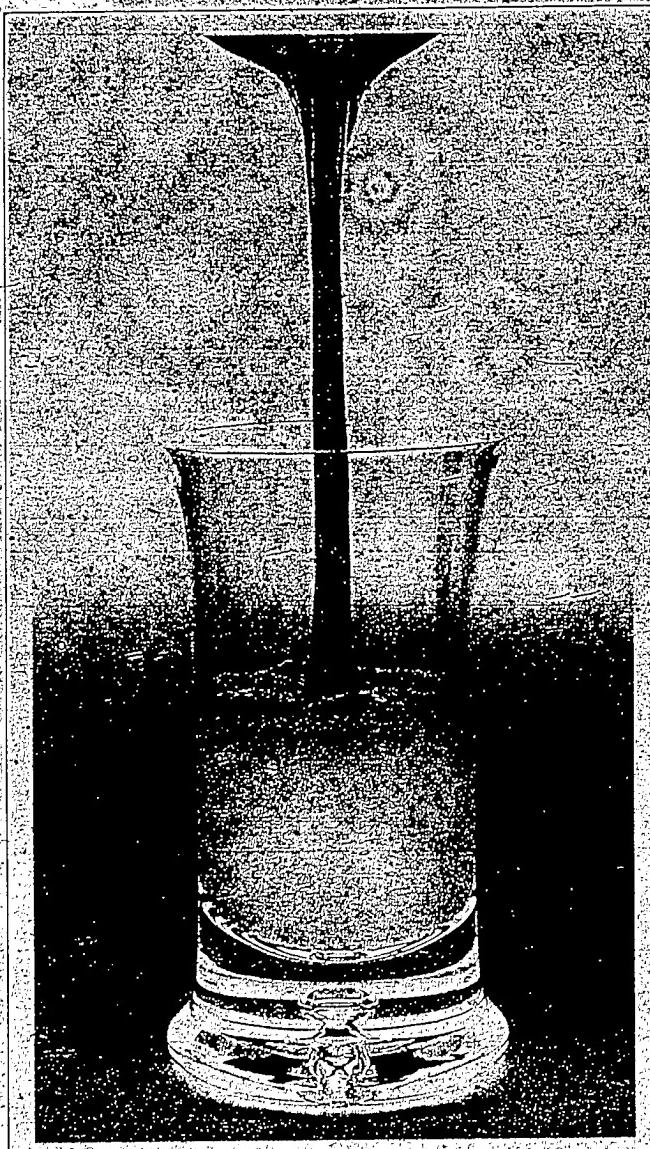
In 1981, the Company expects moderate to strong unit gains from each of its major foreign markets, particularly if the unfavorable weather conditions which affected 1980 results return to more normal patterns. Foreign growth is expected to continue to outpace the United States due to restimulation of economically constrained markets and the potential increase in total foreign per capita consumption of soft drink products.

Overall, 1980 performance by the Company's worldwide soft drink operations has laid the foundation for renewed profit gains in the years ahead. With the franchise system of bottlers stronger than ever and innovative programs firmly in place to support it, the Company approaches the coming year with enthusiasm and with a full commitment to long-term growth.

Top left: The world's third largest selling soft drink is Fanta Orange, part of the Company's broad line of Fanta fruit flavors. Fanta soft drinks are most successful in countries outside the U.S., such as Japan, the fourth-ranking market for Company products.

Top right: The brand image of Coca-Cola is dominant in Brazil, the third largest market for Company products, where sales grew more than 10 percent in 1980.

Bottom: Bottlers of Coca-Cola in Germany play the leading role in Europe's largest soft drink market. Vending programs in 1980 helped the Company maintain its record of outperforming the industry in that country.



Foods Division

As the largest segment of the Company's non-soft drink business, the Foods Division generated excellent sales and profits in 1980, continuing its vigorous growth performance from 1979, when annual sales first topped the \$1 billion mark. In the past six years, sales and profits of the Houston-based division have compounded at a rate of almost 20 percent annually.

In 1980, plastic products operations which formerly comprised the Company's Consumer Products Division were aligned with the Foods Division. Annual sales of the combined operations exceeded \$1.2 billion in 1980.

Primarily responsible for the division's consistent growth are its active marketing programs and a commitment to the development of new products to add to its widely recognized beverage lines, including: Minute Maid chilled and frozen concentrated citrus juices, ades and lemon crystals; Snow Crop frozen citrus concentrates; Bright & Early breakfast drink; Hi-C fruit drinks and powdered drink mixes; and Maryland Club and Butter-Nut coffees and teas.

The division has more than 20 manufacturing and production centers in the United States, with others located in several foreign countries, and utilizes a system of co-packers who produce and distribute products in locales where the Company does not have its own installations.

The Foods Division is the largest citrus processor in the world and one of the largest fruit growers, with approximately 30,000 acres of citrus groves operating in Florida.

The citrus business has played a significant role in the growth of the division. About 45 percent of the division's 1980 sales were generated by the fast-growing frozen and chilled citrus juice categories. Coffee and tea accounted for a 30 percent share, followed by 12 percent from fruit drinks and powdered drink mixes. Other consumer products contributed the remainder.

Minute Maid Increases Share of Fast-Growing Citrus Juice Market

Minute Maid is a leader in the expanding citrus juice market. Industry-wide, retail sales of frozen concentrated orange juice have grown in the past five years from almost \$700 million to more than \$1.2 billion, and chilled orange juice retail sales have more than tripled in the period.

Juices are exhibiting substantial growth in consumer popularity not only in the United States, but in most other parts of the world,

and the Foods Division is in an excellent position to take advantage of that trend. In 1980, unit sales of Foods Division frozen juices increased 15 percent, while unit sales of chilled juices were up 35 percent.

The Minute Maid line has increased its share of market during the past five years from slightly above 22 percent to more than 24 percent in the frozen orange juice segment and has moved its share of the chilled orange juice market from 8 percent in 1975 to almost 21 percent in 1980. Both Minute Maid frozen and chilled juices set records in sales and profits for the year, gaining outstanding retailer feature support as well as high consumer acceptance.

Minute Maid frozen concentrated orange juice achieved a good increase in unit sales in 1980. Minute Maid now has a greater share than all other branded products in the frozen concentrate category combined, outdistancing its nearest competitor five to one.

Minute Maid chilled orange juice completed national distribution during 1980 with unit increases of more than 35 percent over 1979 in a category that was up more than 24 percent for the year. Success in this rapidly expanding area has been one of the key factors in the growth of the Foods Division.

The strength of the brand is illustrated further by the fact that it continues as the sales leader in grapefruit juice, pineapple juice and lemonade, indicating continued consumer confidence in the quality of the Minute Maid brand name.

New Orange and Apple Juice Products Introduced

An innovative new product is now being marketed under the Minute Maid banner: reduced acid orange juice, developed for consumers who want the pure taste of orange juice with less acid content. The amount of acid is reduced through a special production process, resulting in a smooth, yet natural-tasting orange juice.

The Minute Maid reduced acid juice has been test marketed in Houston and Portland, Oregon, and currently is being sold in Houston and the Dallas/Ft. Worth area. Evaluation of initial marketing efforts, plus analysis of needed capital expenditure for manufacturing facilities to process the new product, will determine future roll-out dates.

Minute Maid frozen concentrated apple juice, another new product, also was tested in different forms in 1980 in preparation for

The Foods Division markets the following products:

Citrus juices, ades and powdered drinks—

Minute Maid
Snow Crop
Snow Crop Five Alive
Bright & Early
Hi-C

Coffees and teas—
Maryland Club
Butter-Nut



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national introduction in 1981. This is the division's first entry into the large, growing apple juice market. Heightened consumer interest in all-natural food is expected to support continued expansion of this category, which has already more than doubled its sales in the past five years.

Minute Maid lemonade crystals showed a good unit sales increase in 1980. This sales gain can be attributed in part to the success of extensive consumer promotional events and a "20-lemon lemonade" advertising strategy stressing the use of natural juices in the product. Industry unit sales for pre-sweetened powdered soft drinks lessened slightly during 1980 due to rising sugar prices, but Minute Maid lemonade crystals bucked the trend.

Five Alive Early Profit Generator

Snow Crop Five Alive, made from the juice of oranges, grapefruits, tangerines, lemons, and limes, exceeded all expectations and became a profit generator in its first full year of distribution in 1980. Marketed as an all-natural beverage for refreshment throughout the day, Five Alive frozen concentrated juice drink is perhaps the nation's most successful new grocery product introduction of the year.

The solid success of Five Alive prompted the development and distribution of a new flavor, Five Alive Fruit Punch, which was rolled out during the fourth quarter of 1980. The Company currently is testing chilled Five Alive in southern California and expects to distribute that product nationally during 1981.

While the citrus category enjoyed sales and profit growth in 1980, fruit drinks (beverages with about 10 percent fruit juice content) experienced a general category decline.

Hi-C, the Foods Division's entry in this category, is still the leading brand with about 25 percent of market share. However, repeating the pattern of 1974, soaring sugar prices in 1980 resulted in reduced consumer purchases. Hi-C fruit-flavored drink mixes also were adversely affected by the increase. Consumer awareness of the Hi-C product line is expected to enable the brand to rebound once sugar prices stabilize.

Marketing Program, Improved Blends Boost Coffee Segment

The Butter-Nut and Maryland Club brands of coffee continue to make a major contribution to the profits of the Foods Division. Although rising prices and decreased per capita consumption resulted in an overall decline in

the coffee category in 1980, market share in the Butter-Nut distribution area (primarily the Midwest) is growing, and Maryland Club is holding its market share in the southwestern United States, its main distribution area.

A total revitalization program features intensive marketing efforts and the introduction of an improved blend for instant and roast and ground coffee. Distinctive new packaging was designed for both the Maryland Club and Butter-Nut brands. Initially placed in the Houston sales region, the Maryland Club program was favorably received by consumers, and the Butter-Nut introduction occurred in the Midwest in early 1981.

Consumer promotions and new television and print advertising featuring actress Betty White also are being launched to boost the coffee business for the future.

Tenco Enjoys Outstanding Year

Tenco, an operating unit of the Foods Division and the largest manufacturer and distributor of private label instant coffees and teas in the world, continued its excellent performance in 1980 with the second best year in its history.

The division recently acquired a tea bag producing company, a step which complements the existing Tenco product line. Tenco-operated facilities are located in several cities in the United States, as well as in a number of foreign countries.

In addition, the Foods Division generates a significant volume of business with restaurants and other institutions through its Food-service Department, which has increased its sales substantially during the past 15 years to more than \$120 million.

Foodservice represents an opportunity for growth as current lifestyles increase the amount of food consumed away from home. The Foods Division seeks to tap that potential by providing restaurants, hotels, colleges, hospitals, and other institutions with a wide array of food service products.

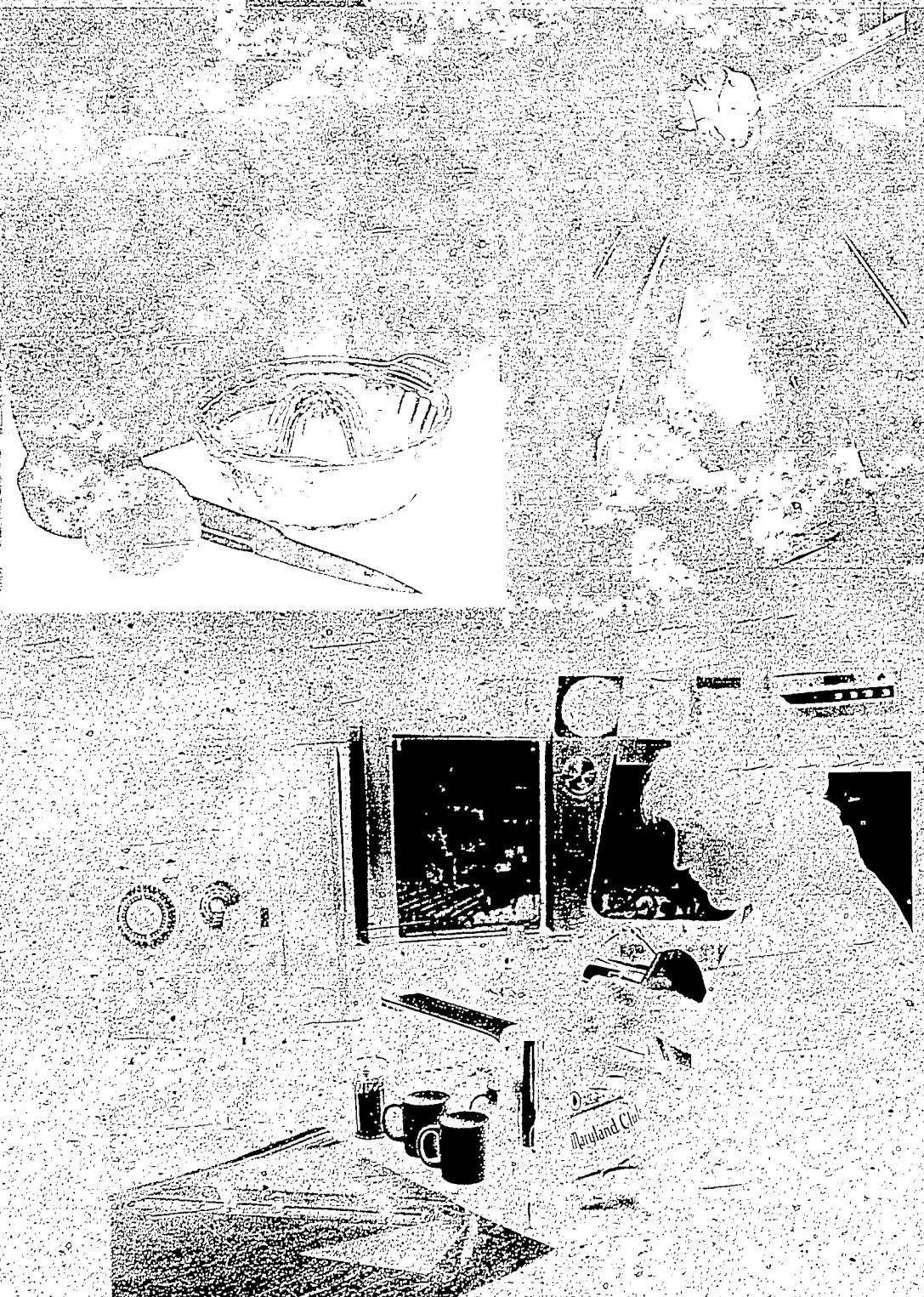
Currently, about 85 different items in more than 200 package sizes are available from Foodservice, including both Foods Division and allied products purchased from other manufacturers.

Military sales have provided the division with another opportunity to market its products. A worldwide network of brokers works through United States military commissaries and exchanges to provide Foods Division products at installations in the U.S. and abroad.

The international business of the Foods Division is small, yet encouraging. Canada

Top: The flagship product of the Company's Foods Division is Minute Maid frozen concentrated orange juice, which outsells its closest competitor by five to one.

Bottom: Minute Maid lemonade crystals, made from real lemon juice, are a welcome addition to any lemonade stand. The product showed a 7 percent unit sales increase and gained share in the powdered drink mix category in 1980.



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continues to be a good market, and the conclusion of a highly successful market test for Hi-C powdered drink mixes in Brazil triggered a national roll-out there in 1980.

Market tests in Argentina also are faring well, and exports to that country from Sucos do Brasil, a joint venture between the Foods Division Brazil and Sucocitrico Cutrale S/A, are encouraging. Overall, the outlook for international growth is positive.

The New Products Development Group at the Foods Division remains extremely active in seeking ways to meet the growing, changing needs of consumers for quality products. The division expects to keep its commitment to

launching at least one major new product each year.

The Coca-Cola Company Foods Division has achieved numerous milestones in its vigorous history of market growth. The notable accomplishments of 1980 enable the division to look with optimism and confidence toward maintaining its leadership in the citrus industry while spurring significant growth through the introduction of innovative new products.

In 1981, the Company expects further increases in sales and earnings from the Foods Division's citrus, coffee and tea, and plastic products operations.

Plastic Products

operating units formerly comprising the Consumer Products Division and now reporting through the Foods Division include Presto Products, Incorporated; Winkler/Flexible Products, Inc.; and Belmont Springs Water Co., Inc.

Headquartered in Appleton, Wisconsin, Presto Products is enjoying excellent growth as a leading private label supplier of plastic bags, wraps and other disposable plastic film packaging to retail customers. Sales revenues increased more than 30 percent in 1980, with a commensurate rise in profits.

Winkler/Flexible, Los Angeles-based producer of plastic cutlery and straws, also achieved good sales and profit increases for the year. This Company subsidiary mar-

kets its products primarily to food service chains, hospitals and other institutional facilities.

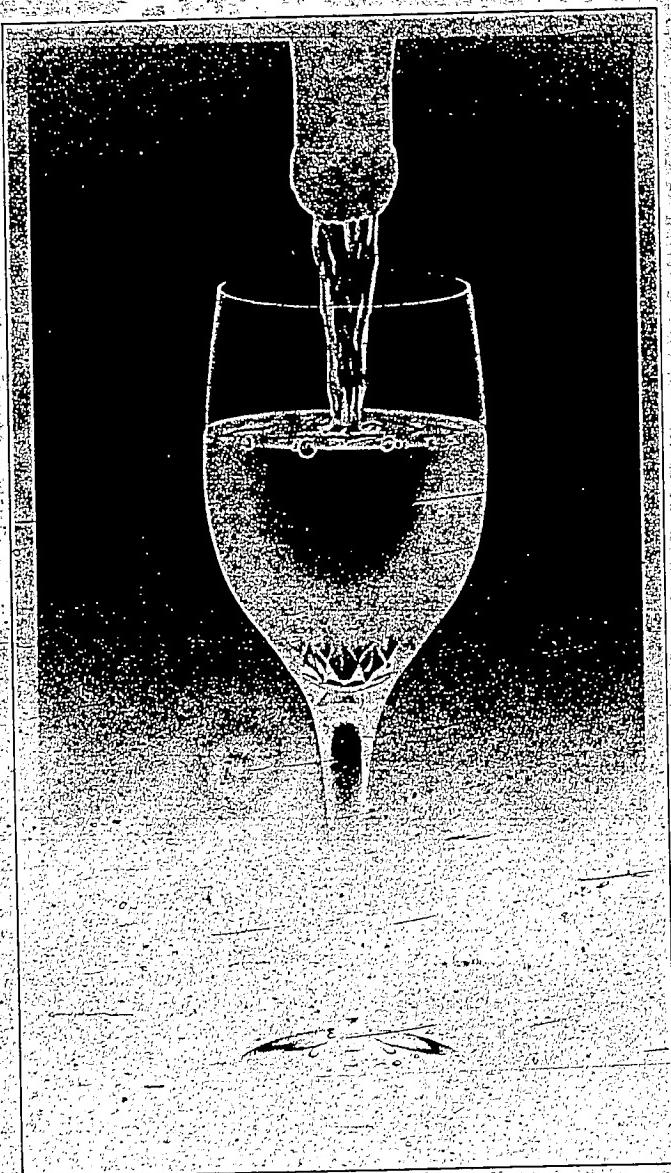
Though relatively small components of the Company, these two operations have demonstrated noteworthy growth rates. Both brought new production facilities on line in 1980. Projections indicate that, by 1983, Presto Products and Winkler/Flexible should be generating over \$250 million in sales and a significant profit contribution to the division.

An outstanding year also was reported by Belmont Springs Water Co., Inc., a subsidiary located in Belmont, Massachusetts, which provides bottled water for residential and industrial use.

Top left: *Snow Crop Five Alive*, an all-natural frozen concentrated beverage combining the flavors of five fruit juices, turned a profit in its first full year of distribution in 1980.

Top right: *Presto Products*, a fast-growing subsidiary of The Coca-Cola Company, is a leading national supplier of disposable plastic packaging. Its four modern plants make such products as *Stretch Gard IV*, a clear plastic pallet wrap.

Bottom: The Foods Division launched an intensive coffee marketing program during 1980, including the introduction of attractive new packaging for Maryland Club along the Texas Gulf coast and other parts of the Southwest.



The Wine Spectrum

Backed by a sound, aggressive marketing plan, The Wine Spectrum became the fourth largest wine producer and marketer in the United States in 1980. Registering nearly a 40 percent increase in case volume and even greater dollar sales increases, The Wine Spectrum far outpaced the industry growth rate.

As its name implies, The Wine Spectrum embraces a diverse range of quality wines with proud traditions: Taylor California Cellars premium generics and varietals; world-class Sterling Vineyards (Napa Valley, California) estate-bottled vintage varietals; The Monterey Vineyard (upper Monterey County, California) vintage varietals, California Classics and Special Signature wines; The Taylor Wine Company (Hammondsport, New York) Lake Country and other premium table wines, New York State champagnes, sparkling wines, vermouths, and dessert wines; Great Western Winery New York State champagnes, varietals and Solera dessert wines; and Cinzano fine Italian wines.

Through innovative marketing and advertising programs, the introduction of new products and packages and the opening of new markets, The Wine Spectrum continues to be a trend-setter in a dynamic industry. Its dedication to the goal of producing wines of superior quality in every category is reflected in the large number of awards won by its wines in competitions and international exhibitions during the year.

The Wine Spectrum's ever-improving position in the wine industry can be attributed largely to a successful strategy of positioning itself for growth in specific segments of the wine market.

Table Wines Show Strong Growth

In particular, the Company's emphasis on the premium table wine segment reflects changes in consumer preferences, evidenced by the substantial growth of table wines from 32 percent in 1960 to over 75 percent of the total U.S. wine market in 1980. Table wines accounted for 70 percent of The Wine Spectrum's total volume in 1980, as compared to 45 percent in 1977, and a continuation of this trend is anticipated in future years.

Taylor California Cellars won distinction in 1980 as the fastest-growing major wine brand in this market segment for the second consecutive year. Sales volume of this premium table wine brand increased by 165 percent over the previous

year's figure, garnering a significant increase in market share.

New California Cellars Varietals Added

The Wine Spectrum spearheaded its efforts in the table wine segment in 1980 with the introduction of six new varietal wines under the Taylor California Cellars label. These wines (Chardonnay, Chenin Blanc, Riesling, Sauvignon Blanc, Zinfandel, and Cabernet Sauvignon) were produced from the most prestigious grape varieties grown in California in anticipation of consumers trading up from generic wines to higher quality varietals for special occasions or everyday drinking. These new Taylor entries are positioned to offer good value in a quality wine to more sophisticated wine enthusiasts as well. Since their debut in May of 1980, the varietals have met with outstanding acclaim.

Comparative advertising for Taylor California Cellars generic wines (Chablis, Burgundy, Rosé, and Rhine) continued its successful run and was a major factor in the vigorous growth of the brand.

Commercials Enhance Product Image

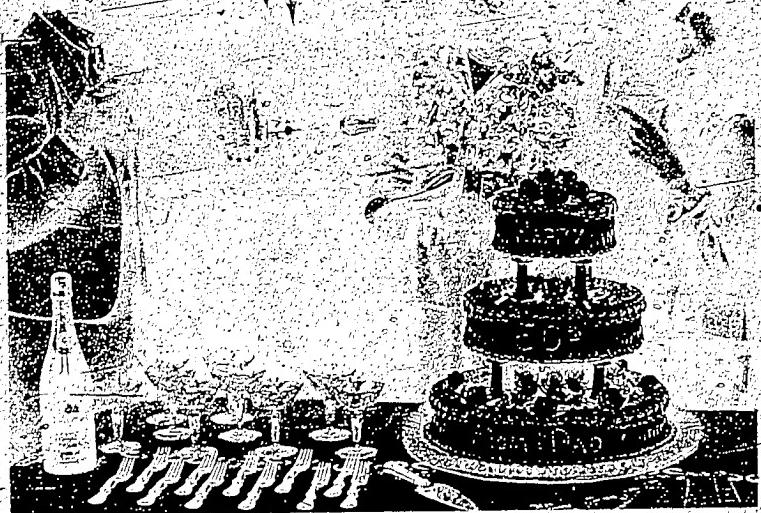
The effect of this direct and informative campaign was to raise consumer awareness and acceptance to an unprecedented level. The endorsement of Taylor California Cellars wines by noted wine authorities in television commercials greatly enhanced the positive image of the product. Additionally, advertising placed greater emphasis on the compatibility of Taylor California Cellars wines with food.

The Monterey Vineyard gives The Wine Spectrum added strength in white wines, the most rapidly expanding segment in the table wine industry. Its varietals and California Classics wines achieved an outstanding 60 percent increase in case sales in 1980, while demand for the Classic Red continued high even though the red wine category as a whole was sluggish. Paralleling the fast-growing reputation of Taylor California Cellars varietals, the acknowledgement by wine experts of the high quality of The Monterey Vineyard Classics contributed to the success of the line.

Sterling Vineyards continued to produce award-winning, estate-bottled wines prized by collectors and connoisseurs. In addition, in 1980 a decision was made to limit production at the winery to its most outstanding varieties:

The Wine Spectrum markets premium wines in the U.S. under the following brand names:

*Sterling Vineyards
The Monterey Vineyard
Taylor
Taylor California Cellars
Great Western
Cinzano*



Chardonnay, Sauvignon Blanc, Merlot, Cabernet Sauvignon, and Cabernet Sauvignon Reserve.

Taylor Leads Sparkling Wines, Champagnes

The Taylor and Great Western New York State brands maintained their leadership positions in the sparkling wine segment, a market currently growing by 10 percent annually. Taylor champagnes are by far the leading premium champagnes in the country, and Great Western stands firm in the number three position.

The popular Taylor Lake Country line enjoyed excellent success, growing faster than the table wine category. Plans for expansion include the test marketing of a line of low alcohol Lake Country soft wines to compete with Italian Lambruscos.

Though the dessert wine market as a whole is declining, the well-recognized quality of the Taylor and Great Western brands enabled these New York State sherries and ports to significantly increase market share and maintain steady sales during 1980. The Wine Spectrum also introduced Taylor Empire Cream Sherry, a fine, wood-aged dessert wine positioned against imports in the super-premium segment.

Preparations were completed in 1980 for entry into Italian wine imports, a growth area which has skyrocketed from 18 percent of the import market in 1970 to 63 percent in the first half of 1980. In February of 1981, The Wine Spectrum introduced into selected test markets a red and a white Italian table wine bottled and marketed under the Cinzano label. This introduction represents another positive step in The Wine Spectrum's 1979 agreement with Francesco Cinzano, S.P.A., to distribute selected Cinzano products in the U.S. and to develop totally new ones bearing the Cinzano trademark.

In addition to the introduction of these new products to existing markets, The Wine Spectrum is opening up new frontiers for distribution.

Exports to U.K. Initiated

In 1980, the Company began to export Taylor California Cellars wines to the United Kingdom, a promising market for premium table wines. The Wine Spectrum's California Cellars White, Red and Rosé are being distributed through England's largest grocery chain as the first step in probing overseas export markets.

Top left: *California Classics* and vintage varietal wines produced by The Monterey Vineyard, located in upper Monterey County, California, achieved excellent sales gains in 1980.

Top right: The fastest-growing American brand of premium table wines is Taylor California Cellars, which enjoyed a 165 percent sales increase in 1980. Six new varietal wines were introduced under the Taylor California Cellars label during the year.

Bottom: Taylor and Great Western New York State champagnes, two of the nation's favorite premium champagnes, add enjoyment to celebrations across America.

Also, Great Western New York State champagnes, varietals and dessert wines moved westward to new markets across the United States, a strategy aimed at eventual national distribution.

Another step taken in the early autumn of 1980 was the unveiling of Taylor California Cellars Chablis and Burgundy in 6.3-ounce aluminum cans, which were tested on selected flights of United Airlines. Shatterproof and quick chilling, the cans also save weight and space. Initial results have been encouraging, underlined by generally favorable consumer reaction.

Expansion, Capital Spending Continue

Expanding in other areas, The Wine Spectrum made substantial capital investments in its wineries in 1980. Major construction was planned in Gonzales, California, to support the rapid growth of the Taylor California Cellars line. Site preparation was begun in December 1980, and a bottling and warehousing facility is scheduled to be completed in mid-1982.

On the east coast, the Finger Lakes growing region of New York State experienced during 1980 the finest vintage recorded in its history. Taylor and Great Western wineries plan to take advantage of this remarkable vintage through substantial investment in French-American hybrid grape varieties and vinification equipment which will strengthen their preeminent positions in the eastern wine industry and enhance their active participation in New York State's wine renaissance.

In a related move, The Wine Spectrum initiated a major campaign in 1980 tailored to tap the ever-increasing share of dollars spent by Americans eating outside the home. Studies have shown that the American wine consumer is educated and influenced by restaurant wine selections and that this exposure influences wine purchases for the home. To take full advantage of this growth area, The Wine Spectrum plans major advertising, educational and materials programs targeted at restaurateurs for 1981.

The outlook for The Wine Spectrum is positive and exciting. Wine consumption in the United States is expected to grow at a compound annual rate of 8 percent over the next decade, and The Wine Spectrum expects to grow significantly faster. The prospect is for continued healthy volume and profit growth for The Wine Spectrum in 1981 as its capital and marketing investments of the last few years bring greater returns.



of reusable products in the chemical process industry.

Significant among product introductions by this subsidiary in 1980 were the design and manufacture of reverse osmosis water desalting systems for the first bottling plant for Coca-Cola in Beijing (Peking), China, the first reverse osmosis system for use on a naval combat ship and the installation of similar desalting systems on numerous off-shore rigs. The division's reverse osmosis system is the most advanced and efficient water purification system in use today.

A record year also was experienced for Aqua-Chem evaporators in the pulp and paper industry and special process concentration and by-product recovery applications. The 1981 outlook for the Water Technologies Division continues to be favorable, based upon new order input, current backlog and new products planned for introduction.

Cleaver-Brooks Increases Sales, Expands Product Line

Aqua-Chem's Cleaver-Brooks Division is a world leader in manufacturing packaged boilers for producing steam and hot water for all types of commercial and industrial applications. The division also markets a complete line of supplemental boiler room equipment which no other manufacturer in the field offers.

Cleaver-Brooks maintained its traditionally high market share in 1980 despite a temporarily depressed construction industry and capital goods market.

Sales revenues from Cleaver-Brooks' boilers are up over the previous year. An expansion of Cleaver-Brooks' product base in steam and hot water generation currently is underway with the development of new, energy-efficient boiler-burner systems that will utilize solid fuels, waste fuels and nonstandard fuels, as well as conventional fossil fuels.

Industrial Combustion, Inc., an Aqua-Chem subsidiary that manufactures and distributes conversion burners for existing boilers, also accomplished a record business year. The increased availability of natural gas at a price substantially lower than heating oil has been largely responsible for a dramatic sales increase over 1979, matched by an increase in net earnings. The subsidiary's current high level of sales activity is expected to continue.

The need for clean water continues to create a demand for the advanced technology systems developed by Aqua-Chem, Inc., a world leader in research and production of pure water facilities through evaporation/pollution control and brackish/sea water desalting. A subsidiary of The Coca-Cola Company headquartered in Milwaukee, Aqua-Chem achieved a sales increase in 1980 to over \$130 million and a commensurate rise in earnings.

In addition to an emphasis on new water purification and pollution control applications, Aqua-Chem's operations are geared to meeting the problems of changing fuel supplies, as well as to working with Company soft drink personnel to solve water quality and sourcing problems around the world.

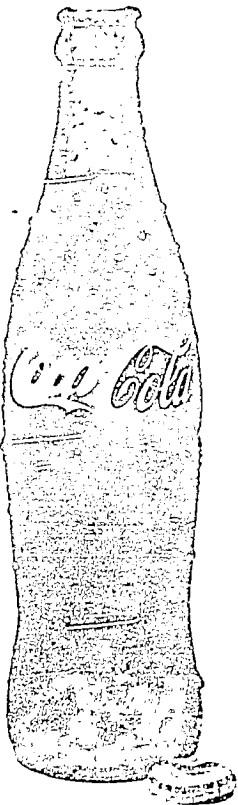
Market Growing for Energy-Efficient Water Technology Systems

Development of systems for potable water is a major goal of Aqua-Chem's Water Technologies Division. The worldwide energy shortage underlies the growing market for its highly efficient evaporators and large-scale desalting systems, especially for the recovery

Financial Report

The Coca-Cola Company and Subsidiaries

- 26 Selected Financial Data
- 28 Management's Discussion and Analysis of Results of Operations and Financial Condition
- 30 Consolidated Statements of Income
- 30 Consolidated Statements of Retained Earnings
- 31 Consolidated Balance Sheets
- 32 Consolidated Statements of Changes in Financial Position
- 33 Notes to Consolidated Financial Statements
- 37 Report of Independent Accountants
- 38 Report of Management
- 39 Quarterly Data
- 39 Cash Dividends
- 39 Stock Market Information
- 40 Industry Segments
- 41 Operations in Geographic Areas
- 42 Supplemental Information on the Effects of Changing Prices
- 45 Board of Directors and Corporate Officers
- 46 Officers—Operating Units
- 48 Other Information



Selected Financial Data (a) (In thousands except per share data)

YEAR ENDED DECEMBER 31.	1980	1979	1978
Net sales	\$5,912,595	\$4,961,402	\$4,337,917
Gross profit	2,486,706	2,167,376	1,899,729
Operating income	768,280	719,354	678,086
Income before income taxes	764,299	742,192	691,396
Income taxes	342,191	322,072	316,704
Net income	422,108	420,120	374,692
Average common shares outstanding (c)	123,578	123,549	123,503
Net income per share (c)	\$ 3.42	\$ 3.40	\$ 3.03
Dividends per share (c)	2.16	1.96	1.74
Total assets	\$3,405,958	\$2,938,041	\$2,582,809
Stockholders' equity at year-end	2,074,738	1,918,704	1,739,610
Cash and securities	289,071	208,536	369,317
Total debt	228,336	139,189	69,141
Long-term debt	133,221	30,989	15,231
% Net income to net sales	7.1%	8.5%	8.6%
% Net income to average stockholders' equity	21.1%	23.0%	22.6%
Capital expenditures	\$ 293,071	\$ 381,401	\$ 306,022
Depreciation	133,807	112,939	94,024

Notes:

(a) Includes results for Presto Products, Incorporated, and The Taylor Wine Company, Inc., which were combined with the Company in transactions accounted for as poolings of interests in 1978 and 1977, respectively.

(b) In 1974, the Company adopted the last-in, first-out (LIFO) accounting method for certain major categories of inventories. This accounting change had the effect of reducing net income in 1974 by \$31.2 million (\$.25 per share).

	Net Sales (Millions)	Operating Income (Millions)	Net Income Per Share
55,913	\$768	\$3.42	
	\$719	\$3.40	
	\$678	\$3.03	
54,961	\$603	\$2.68	
54,338	\$535	\$2.38	
53,620	\$473	\$2.07	
53,146	\$362	\$1.65	
52,919	\$409	\$1.82	
52,014	\$372	\$1.62	
52,226	\$336	\$1.42	
51,945			
51,785			
	71 72 73 74 75 76 77 78 79 80	71 72 73 74 75 76 77 78 79 80	71 72 73 74 75 76 77 78 79 80

1977	1976	1975	1974	1973	1972	1971
\$3 619 835	\$3 146 007	\$2 979 350	\$2 613 704	\$2 226 072	\$1 945 177	\$1 785 041
1 566 151	1 376 891	1 198 731	1 011 244	1 027 775	909 679	825 930
602 742	534 534	472 639	362 220	408 815	372 287	336 219
614 900	552 165	479 330	379 983	419 479	379 352	340 342
283 737	258 035	230 545	176 209	195 732	180 946	166 165
331 163	294 130	248 785	203 774(b)	223 747	198 406	174 177
123 464	123 418	123 356	123 247	123 130	122 832	122 603
\$ 2 68	\$ 2 38	\$ 2 02	\$ 1 65(b)	\$ 1 82	\$ 1 62	\$ 1 42
1 54	1 325	1 15	1 04	90	82	79
\$2 254 490	\$2 006 838	\$1 801 023	\$1 610 490	\$1 461 249	\$1 290 408	\$1 156 136
1 578 034	1 434 555	1 302 135	1 189 888	1 109 128	990 860	884 799
417 982	402 850	409 190	260 105	308 054	241 029	195 155
57 304	51 649	42 482	68 599	24 361	34 773	37 113
15 303	10 762	15 777	11 862	8 317	7 123	11 404
9 1	9 3	8 4	7 8	10 1	10 2	9 8
22 0	21 5	20 0	17 7	21 3	21 2	20 8
\$ 264 368	\$ 190 607	\$ 145 320	\$ 153 720	\$ 126 874	\$ 119 152	\$ 103 405
82 459	72 377	69 123	61 823	61 017	57 642	54 185

(c) Adjusted for a two-for-one stock split in 1977.

	Dividends Per Share	Stockholders Equity at Year-End Millions	Cash and Securities Millions
\$2.16		\$2,075	\$425
		\$1,919	\$400
\$1.96		\$1,740	\$375
\$1.74		\$1,578	\$150
		\$1,434	\$325
\$1.54		\$1,302	\$300
\$1.325		\$1,190	\$275
\$1.15		\$1,109	\$250
\$1.04		\$991	\$225
\$.90		\$ 885	\$200
\$.82			\$175
\$.79			\$150
			\$125
			\$100
			\$ 75
			\$ 50
			\$ 25
			\$ 0
71 72 73 74 75 76 77 78 79 80		71 72 73 74 75 76 77 78 79 80	71 72 73 74 75 76 77 78 79 80

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Statements of Income: Net sales increased 19.2% in 1980, following a 14.4% increase in 1979. Net sales of soft drinks in 1980 increased 20%, due to a 3% increase in unit sales plus increased selling prices and the effects of changes in the Company's product mix. Unit shipments of soft drink syrups and concentrates in the U.S. were up more than 2% in 1980 and would have increased more except for the effects of bottlers and fountain wholesalers building stocks of syrups and concentrates in December 1979 in anticipation of January 1980 price increases. Soft drink sales were well ahead of 1979 levels in Latin America and Europe/Africa, but were below 1979 levels in the Company's Pacific/Canada Group as a result of a combination of economic and weather-related events in Japan and the Far East. Net sales of non-soft drink products increased 16% in 1980.

In 1979, net sales of soft drinks increased 14% due to an 8% increase in unit sales, plus increased selling prices and the effects of changes in the Company's product mix. Unit shipments of soft drink syrups and concentrates in the U.S. were up 5% in 1979, partially as a result of changes in bottler inventory levels. Soft drink sales were significantly above 1978 levels in each of the Company's foreign geographic regions. Net sales of non-soft drink products increased 16% in 1979.

Gross profit increased 14.7% in 1980, following a 14.1% increase in 1979. The 1980 and 1979 increases were due to higher unit sales in all product categories except coffee and increased gross profits per unit. Gross profits increased at a lesser rate than sales in 1980 mainly because of significantly higher sugar prices in 1980 compared to 1979. Changing sugar prices affect the Company's net sales and cost of goods sold without a corresponding impact on gross profits.

Selling, administrative and general expenses increased 18.7% in 1980, following an 18.5% increase in 1979. Both the 1980 and 1979 increases reflected expanded marketing

programs, increased expenses associated with the Company's new Atlanta office complex and the effects of general inflation. Media advertising spending was \$395 million in 1980, compared to \$343 million in 1979, and \$270 million in 1978. The increases in both 1980 and 1979 reflect increased advertising of soft drinks in the United States and overseas markets and increased spending related to the Company's wine and citrus products.

Interest earned increased in 1980 and 1979 due to higher interest rates, partially offset by lower average invested balances. The increases in interest expense in 1980 and 1979 were due to higher interest rates and the Company's increased use of debt.

The Company's unusually low tax rate in 1979 was due primarily to investment tax credits taken on the Company's Atlanta office complex and to the effects of a change in United Kingdom tax legislation (see Note 10 to the consolidated financial statements).

Changing Prices: For an explanation of the impact of the effects on the business of changing prices and inflation, please refer to the Supplemental Information on the Effects of Changing Prices.

Profitability Ratios: Net income as a percentage of net sales for 1980 was 7.1%, compared to 8.5% in 1979, and 8.6% in 1978. The return on equity, or net income as a percentage of average stockholders' equity, was 21.1% in 1980, compared to 23.0% in 1979, and 22.6% in 1978.

The decline in return on sales was due primarily to higher raw material costs, primarily sugar and concentrate ingredients, as well as increases in marketing expenditures on soft drinks, wine and citrus products.

The decline in return on equity from 1979 to 1980 was due primarily to the relatively small increase in net income shown by the Company in 1980.

Management's Discussion and Analysis of Results of Operations and Financial Condition 'continued.'

Financial Condition

Debt and Equity: The increase in total debt and total cash and securities in 1980 reflects the Company's issuance of \$100 million in five-year notes, at an attractive interest rate of 9½ %. The proceeds of the notes were used to replace short-term, primarily seasonal, borrowings. At year-end 1980, however, long-term debt expressed as a percentage of stockholders' equity was only 6%, and much of the proceeds from the notes were invested in short-term, interest-bearing certificates.

The increase in total debt and decrease in cash and securities in 1979 reflected spending on the Company's Atlanta office complex, expansion of wine operations, acquisitions including The Atlanta Coca-Cola Bottling Company, and increased working capital requirements throughout the business.

Working Capital: The increase in working capital from 1979 to 1980 was due to increased inventory reflecting in part higher raw material costs, increased trade accounts receivable reflecting higher selling prices, and

decreased notes payable reflecting increased use of long-term debt. A partially offsetting factor was the increased accounts payable reflecting maximum use of suppliers credit.

The decline in working capital from 1978 to 1979 was primarily due to the decrease in cash and current marketable securities combined with an increase in short-term debt reflecting the Company's cash acquisition of The Atlanta Coca-Cola Bottling Company and other companies, the replacement and expansion of facilities to meet the needs of the Company's expanding business, and a high level of spending related to the expansion of the Company's Atlanta office headquarters and wine operations. Partially offsetting factors included increased trade accounts receivable, reflecting increased sales volume, higher selling prices and the inclusion of purchased companies in 1979; and higher inventories resulting in part from increased raw material costs, and the inclusion of purchased companies in 1979.

The Coca-Cola Company and Subsidiaries

Consolidated Statements of Income (In thousands except per share data)

YEAR ENDED DECEMBER 31.	1980	1979	1978
Net sales	\$5,912,595	\$4,961,402	\$4,337,917
Cost of goods sold	3,425,889	2,794,026	2,438,188
GROSS PROFIT	2,486,706	2,167,376	1,899,729
Selling, administrative and general expenses	1,718,426	1,448,022	1,221,643
OPERATING INCOME	768,280	719,354	678,086
Interest income	40,774	37,048	34,718
Interest expense	35,218	10,676	7,762
Other income (deductions)—net	(9,537)	(3,534)	(13,646)
INCOME BEFORE INCOME TAXES	764,299	742,192	691,396
Income taxes	342,191	322,072	316,704
NET INCOME	\$ 422,108	\$ 420,120	\$ 374,692
Net income per share	\$ 3.42	\$ 3.40	\$ 3.03

Consolidated Statements of Retained Earnings
(In thousands except per share data)

YEAR ENDED DECEMBER 31.	1980	1979	1978
Balance at January 1	\$1,759,367	\$1,581,406	\$1,421,356
Net income for the year	422,108	420,120	374,692
Dividends paid in cash:			
The Coca-Cola Company (per share—1980. \$2.16; 1979, \$1.96; 1978, \$1.74)	266,928	242,159	214,344
Presto Products, Incorporated, prior to combination	—	—	298
BALANCE AT DECEMBER 31	\$1,914,547	\$1,759,367	\$1,581,406

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets (In thousands except share data)

Assets	December 31	
	1980	1979
CURRENT		
Cash	\$ 129,685	\$ 106,886
Marketable securities, at cost (approximates market)	101,401	41,685
Trade accounts receivable, less allowance of \$8,594 in 1980 and \$8,113 in 1979	523,123	435,079
Inventories	810,235	669,614
Prepaid expenses	57,809	52,339
TOTAL CURRENT ASSETS	1,622,253	1,305,603
INVESTMENTS AND OTHER ASSETS	302,184	206,975
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	96,567	97,906
Buildings	537,235	518,517
Machinery and equipment	1,183,438	1,092,882
Containers	314,349	292,085
	2,131,589	2,001,390
Less allowance for depreciation	790,749	717,212
	1,340,840	1,284,178
FORMULAE, TRADEMARKS, GOODWILL AND CONTRACT RIGHTS	140,681	141,285
	\$3,405,958	\$2,938,041
 Liabilities and Stockholders' Equity	 1980	 1979
CURRENT		
Notes payable	\$ 87,587	\$ 103,816
Current maturities of long-term debt	7,528	4,384
Accounts payable and accrued expenses	733,023	576,862
Accrued taxes—including income taxes	233,442	199,099
TOTAL CURRENT LIABILITIES	1,061,580	884,161
LONG-TERM DEBT	133,221	30,989
DEFERRED INCOME TAXES	136,419	104,187
STOCKHOLDERS' EQUITY		
Common stock, no par value—authorized 140,000,000 shares; issued 123,989,854 shares in 1980 and 123,960,295 shares in 1979	62,372	62,357
Capital surplus	113,172	112,333
Retained earnings	1,914,547	1,759,367
	2,090,091	1,934,057
Less 401,338 shares of stock held in treasury, at cost	15,353	15,353
	2,074,738	1,918,704
	\$3,405,958	\$2,938,041

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position (In thousands)

YEAR ENDED DECEMBER 31.	1980	1979	1978
SOURCE OF WORKING CAPITAL			
From operations:			
Net income	\$ 422,108	\$ 420,120	\$ 374,692
Add charges not requiring outlay of working capital during the year:			
Depreciation	133,807	112,939	94,024
Deferred income taxes	33,104	12,298	19,070
Other (principally amortization of goodwill and container adjustments)	38,084	29,546	19,549
TOTAL FROM OPERATIONS	627,103	574,903	507,335
Increase in long-term debt	99,415	7,234	—
Disposals of property, plant and equipment	77,053	25,041	17,127
Proceeds from exercise of stock options and appreciation rights	726	921	1,228
Tax benefit from optioned shares sold	128	212	318
	804,425	608,311	526,008
APPLICATION OF WORKING CAPITAL			
Cash dividends:			
The Coca-Cola Company	266,928	242,159	214,344
Presto Products, Incorporated	—	—	298
Additions to property, plant and equipment	287,186	329,559	306,022
Acquisitions of purchased companies excluding net current assets:			
Property, plant and equipment—net	5,885	51,842	—
Other assets including goodwill, net of other liabilities	7,593	23,456	—
Increase in investments and other assets	95,254	25,223	16,277
Decrease in long-term debt	—	—	72
Other	2,348	7,147	3,696
	665,194	679,386	540,709
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 139,231	\$ (71,075)	\$ (14,701)
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT			
Cash	\$ 22,799	\$ (49,265)	\$ 6,780
Marketable securities	59,716	(123,655)	(34,879)
Trade accounts receivable	88,044	96,788	58,440
Inventories	140,621	131,353	96,747
Prepaid expenses	5,470	13,820	5,956
Notes payable	16,229	(55,573)	(10,962)
Current maturities of long-term debt	(3,144)	1,283	(947)
Accounts payable and accrued expenses	(156,161)	(66,830)	(113,759)
Accrued taxes—including income taxes	(34,343)	(18,996)	(22,077)
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 139,231	\$ (71,075)	\$ (14,701)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Accounting Policies. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation.

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method of inventory valuation is used for sugar and other sweeteners used in domestic beverages, for certain major citrus concentrate products and for substantially all inventories of domestic bottling subsidiaries, wine products and certain other domestic and foreign operations. All other inventories are valued on the average or first-in, first-out (FIFO) method. The excess of current costs over LIFO stated values amounted to approximately \$109,000.000 and \$71,000.000 at December 31, 1980 and 1979, respectively.

Property, plant and equipment is stated at cost less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts less than cost which, in general, correspond with deposit prices obtained from customers. Approximately 87% of depreciation expense was determined by the straight-line method for each of the three years in the period ended December 31, 1980. A portion of the depreciation determined by the straight-line method for financial statement purposes is calculated on accelerated methods for income tax purposes. Deferred income taxes are provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit is accounted for by the flow-through method.

Formulae, trademarks, goodwill and contract rights are stated on the basis of cost and, if purchased subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Accumulated amortization amounted to \$12,189.000 and \$9,313.000 at December 31, 1980 and 1979, respectively.

At January 1, 1980 the Company began capitalizing interest cost as part of the cost of acquisition or construction of major assets as required by Statement of Financial Accounting Standards No. 34. The Company previously followed the policy of expensing interest costs as incurred. In 1980, \$5,674.000 of interest expense was capitalized, which increased 1980 net income by \$2,705.000.

The Company has followed the policy of charging expense with vacation costs in the period that vacations are actually taken. Pursuant to the requirements of Statement of Financial Accounting Standards No. 43, the Company will in 1981 adopt the policy of charging expense with vacation costs as such vacations are earned. This change in accounting for vacation costs will not have a material effect on the Company's financial statements.

2. Inventories. The principal categories of inventories shown in the balance sheet are as follows (in thousands):

	DECEMBER 31	
	1980	1979
Finished products	\$214,108	\$193,360
Work in process	113,348	98,522
Raw materials and supplies	482,779	377,742
	\$810,235	\$669,614

3. Short-Term Borrowings and Credit Arrangements. Notes payable include amounts payable to banks of \$87,587.000 and \$88,192.000 at December 31, 1980 and 1979, respectively. The remaining notes payable are primarily composed of amounts payable to suppliers.

Under line of credit arrangements for short-term debt with various financial institutions, the Company and its subsidiaries may borrow up to \$311,472.000. These lines of credit are subject to normal banking terms and conditions. At December 31, 1980, the unused portion of the credit lines was \$223,885.000. Some of the financial arrangements require compensating balances which are not material.

Notes to Consolidated Financial Statements (continued)

4. Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses are composed of the following amounts (in thousands):

	DECEMBER 31	
	1980	1979
Trade accounts payable	\$618,548	\$478,700
Deposits on bottles and shells	69,428	62,961
Other	45,047	35,201
	\$733,023	\$576,862

5. Accrued Taxes. Accrued taxes are composed of the following amounts (in thousands):

	DECEMBER 31	
	1980	1979
Income taxes	\$152,590	\$137,503
Sales, payroll and miscellaneous taxes	80,852	61,596
	\$233,442	\$199,099

6. Long-Term Debt. At December 31, 1980, long-term debt consisted of the following (in thousands):

9 1/8% notes due June 1, 1985	\$ 99,867
Other	40,882
	140,749
Less current portion	7,528
	\$133,221

The 9 1/8% notes may not be redeemed before June 1, 1983. After that date the notes may be redeemed at the option of the Company in whole or in part at 100% of their principal amount, plus accrued interest. The notes include various restrictions, none of which is presently significant to the Company.

Other long-term debt consists of various mortgages and notes with maturity dates ranging from 1981 to 2010. Interest on a portion of this debt varies with the changes in the prime rate, and the remainder bears interest at rates ranging from 5.0% to 15.8%.

Maturities of long-term debt for the five years succeeding December 31, 1980, are as follows (in thousands):

1981	\$ 7,528
1982	3,706
1983	2,556
1984	3,196
1985	103,185

7. Changes in Capital during 1980, 1979 and 1978 were as follows (in thousands):

	Common Stock Issued	Capital Surplus	
	Shares	Amount	
Balance January 1, 1978	123,875	\$62,315	\$109,716
Sale of stock to employees exercising stock options	50	25	1,203
Tax benefit from sale of option shares by employees	--	--	318
Cash in lieu of fractional shares - Presto merger	--	--	-20-
Balance December 31, 1978	123,925	62,340	111,217
Sale of stock to employees exercising stock options	35	17	904
Tax benefit from sale of option shares by employees	--	--	212
Balance December 31, 1979	123,960	62,357	112,333
Sale of stock to employees exercising stock options and appreciation rights	30	15	711
Tax benefit from sale of option shares by employees	--	--	128
Balance December 31, 1980	123,990	\$62,372	\$113,172

Notes to Consolidated Financial Statements (continued)

8. Stock Options. The Company's 1979 stock option plan covering 1,000,000 shares of the Company's common stock provides for the granting of stock appreciation rights and stock options. Stock options and stock appreciation rights under the plan are granted to certain officers and employees of the Company and its subsidiaries. Stock appreciation rights permit the holder, upon surrendering all or part of his/her related stock option, to receive cash, common stock, or a combination thereof, up to 100% of the difference between the market price and the option price. Shares covered by such surrendered stock options or portions thereof are not available for the grant of further stock options. Options were held by officers and employees to purchase shares of the Company's common stock under all stock option plans at prices ranging from \$19.16 to \$67.91 per share in 1980, from \$19.16 to \$67.91 per share in 1979, and from \$9.09 to \$67.91 per share in 1978. Option prices on options exercised ranged from \$19.16 to \$24.97 per share in 1980, from \$9.09 to \$41.38 per share in 1979, and from \$9.09 to \$43.59 per share in 1978. Further information relating to options is as follows:

	1980	1979	1978
Options outstanding at January 1	1,259,886	1,153,598	1,112,830
Options granted during the year	362,350	262,242	111,120
Options exercised during the year	(29,559)	(35,443)	(50,112)
Options cancelled during the year	(200,220)	(120,511)	(20,240)
Options outstanding at December 31	1,392,457	1,259,886	1,153,598
Options exercisable at December 31	728,067	718,912	610,275
Shares available for options which may be granted	400,408	737,758	19,644

In addition, an officer of the Company was granted options for 25,000 shares of the

Company's common stock during 1980. The options are exercisable at fair market value on the date of the grant on a cumulative basis at the rate of 20% a year. Upon exercise of the options, shares will be made available from treasury stock. Such options are not a part of any stock option plan.

9. Pension Plans. The Company and its subsidiaries sponsor or contribute to various pension plans covering substantially all domestic employees and certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally the aggregate level cost method, amounted to approximately \$34,000,000 in 1980, \$33,000,000 in 1979 and \$28,000,000 in 1978. Changes in the actuarial assumptions for one plan reduced pension expense by approximately \$2,600,000 in 1980.

As of January 1, 1980, the actuarial present value of accumulated benefits of Company and subsidiary-sponsored domestic plans, as estimated by consulting actuaries, was \$165,773,000 (vested \$152,772,000 and non-vested \$13,001,000), and the net assets available for benefits were \$165,448,000. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was approximately 8% for 1980, a weighted average of the rates published by the Pension Benefit Guaranty Corporation for plan terminations occurring between December 1, 1979, and February 29, 1980. For determining the 1980 pension expense of the Company's principal domestic retirement plan, a rate of less than 8% was used.

The Company has various foreign pension plans which are not required to report to certain governmental agencies pursuant to the Employee Retirement Income Security Act (ERISA) and do not otherwise determine the actuarial value of accumulated plan benefits or net assets available for benefits as calculated and disclosed above. For those plans, the value of the pension funds and balance sheet accruals exceeded the actuarially computed value of vested benefits as of January 1, 1980, as estimated by consulting actuaries.

Notes to Consolidated Financial Statements (continued)

10. Income Taxes. The components of income before income taxes consisted of the following (in thousands):

	YEAR ENDED DECEMBER 31		
	1980	1979	1978
United States	\$251,807	\$248,063	\$251,858
Foreign	512,492	494,129	439,538
	\$764,299	\$742,192	\$691,396

Federal, state and foreign income taxes consisted of the following amounts (in thousands):

	YEAR ENDED DECEMBER 31			
	Federal	State & Local	Foreign	Total
1980				
Current	\$ 63,636	\$ 17,438	\$228,013	\$309,087
Deferred	25,518	2,390	5,196	33,104
1979				
Current	\$ 76,965	\$ 13,858	\$218,951	\$309,774
Deferred	18,541	881	7,124	12,298
1978				
Current	\$ 86,738	\$ 18,464	\$192,432	\$297,634
Deferred	10,277	807	7,986	19,070

Total tax expense differed from the amount computed by applying the statutory federal income tax rate to income before income taxes due to investment tax credits which had the effect of reducing the tax provision by approximately \$11,000,000, \$15,000,000 and \$10,000,000 in 1980, 1979 and 1978, respectively. Additionally, in 1979 income taxes were reduced by approximately \$11,000,000 resulting from changes in United Kingdom tax legislation.

11. Acquisitions. In 1978 the Company issued 1,275,000 shares of its common stock for all of the outstanding common stock of Presto Products, Incorporated, in a transaction accounted for as a pooling of interests.

In 1979 the Company acquired The Atlanta Coca-Cola Bottling Company for approximately \$65,000,000 in cash. In addi-

tion, several other companies, primarily bottling operations, were acquired in exchange for cash and notes during 1979 and 1980. These transactions were accounted for as purchases, and the operations of the acquired companies have been included in the consolidated statement of income from the dates of purchase. The purchased companies had no significant effect on operating results in 1979 or 1980.

12. Foreign Operations. The Company's identifiable assets and liabilities outside the United States and Puerto Rico are shown below (in thousands):

	DECEMBER 31	
	1980	1979
Current assets	\$ 773,168	\$ 634,825
Property plant and equipment - net	513,731	491,913
Other assets	121,677	101,716
	1,408,576	1,228,454
Liabilities	664,980	542,274
Net assets	\$ 743,596	\$ 686,180

Appropriate United States and foreign income taxes have been accrued on earnings of subsidiary companies which are expected to be remitted to the parent company in the near future. Accumulated unremitted earnings of foreign subsidiaries which are expected to be required for use in the foreign operations amounted to approximately \$67,000,000 at December 31, 1980, exclusive of amounts which if remitted would result in little or no tax. Exchange adjustments were not material in amount in 1980, 1979 or 1978.

13. Industry Segment and Geographic Data. The industry segment and geographic data for 1980, 1979 and 1978 presented on pages 40 and 41 are an integral part of these financial statements.

Report of Independent Accountants

Board of Directors and Stockholders
The Coca-Cola Company
Atlanta, Georgia

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Atlanta, Georgia
February 27, 1981

The Coca-Cola Company and Subsidiaries
Report of Management

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in this annual report. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts based on management's best judgements and estimates. Other financial information in this annual report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal accounting control system is augmented by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by the Board of Directors, applicable to all employees of the Company and its subsidiaries. Management believes that the Company's internal accounting controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The Audit Committee of the Board of Directors, composed solely of Directors who are not officers of the Company, meets with the independent accountants, management and internal auditors periodically to discuss internal accounting controls, auditing and financial reporting matters. The Committee reviews with the independent accountants the scope and results of the audit effort. The Committee also meets with the independent accountants without management present to ensure that the independent accountants have free access to the Committee.

The independent accountants, Ernst & Whinney, are recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and ratified by the shareholders. Ernst & Whinney are engaged to examine the financial statements of The Coca-Cola Company and subsidiaries and conduct such tests and related procedures as they deem necessary in conformity with generally accepted auditing standards. The opinion of the independent accountants, based upon their examination of the consolidated financial statements, is contained in this annual report.



Roberto C. Goizueta
Chairman Board of Directors and
Chief Executive Officer



John K. Collings, Jr.
Vice Chairman Chief Financial
Officer and Treasurer

March 4, 1981

Unaudited Quarterly Data (For the years ended December 31 1980 and 1979)**Quarterly Results of Operations**

(In thousands except per share data)

	NET SALES		GROSS PROFIT	
	1980	1979	1980	1979
First quarter	\$1,242,033	\$1,057,350	\$ 539,062	\$ 467,709
Second quarter	1,579,991	1,320,822	667,436	591,926
Third quarter	1,576,611	1,330,999	646,873	572,300
Fourth quarter	1,513,960	1,252,231	633,335	535,441
	\$5,912,595	\$4,961,402	\$2,486,706	\$2,167,376

	NET INCOME		NET INCOME PER SHARE	
	1980	1979	1980	1979
First quarter	\$ 92,110	\$ 85,216	\$.75	\$.69
Second quarter	131,500	123,591	1.06	1.00
Third quarter	102,643	122,169	.83	.99
Fourth quarter	95,855	89,144	.78	.72
	\$ 422,108	\$ 420,120	\$ 3.42	\$ 3.40

Net sales, gross profit and net income increased in each quarter of 1980 over the corresponding quarter of 1979 with the exception of net income in the third quarter. This decrease in net income was due to a combination of economic and weather-related events that adversely affected unit sales in several foreign markets. Total net sales and gross profit, while higher than prior year levels, were substantially below expectations, while marketing and other expenses were at higher levels than in 1979 in anticipation of higher volume. These factors, together with increased interest expense and a higher effective tax rate, resulted in a decrease in net income.

Cash Dividends

Cash dividends were declared on common stock as follows:

	1980		1979	
First quarter	\$.54		\$.49	
Second quarter	.54		.49	
Third quarter	.54		.49	
Fourth quarter	.54		.49	
Full year	\$ 2.16		\$ 1.96	

Management expects to continue its policy of paying regular cash dividends.

Stock Market Information

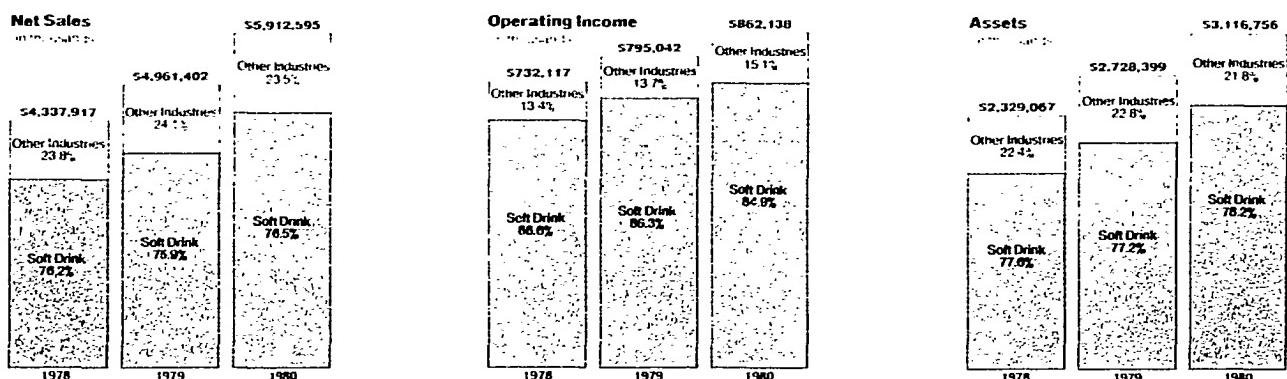
The common stock of the Company is traded on the New York Stock Exchange, Inc. The number of record holders of the Company's common stock at February 27, 1981, was 79,305. The high and low prices of each quarter for the past two years are as follows:

	1980		1979	
	High	Low	High	Low
First quarter	\$38.875	\$28.875	\$46.125	\$39.75
Second quarter	35.875	29.75	42.125	36.625
Third quarter	38.375	32.00	40.875	36.375
Fourth quarter	34.125	29.125	36.75	31.50

Industry Segments

The Company operates principally in the soft drink industry. Citrus, coffee, tea, wine, water treatment equipment, heating equipment and plastic film products are included in other industries. Inter-segment transfers are not material. Information concerning operations in different industries is as follows (in thousands):

	YEAR ENDED DECEMBER 31		
	1980	1979	1978
Net sales:			
Soft drinks	\$4,522,048	\$3,764,704	\$3,306,205
Other industries	1,390,547	1,196,698	1,031,712
Total net sales	\$5,912,595	\$4,961,402	\$4,337,917
Operating income from industry segments:			
Soft drinks	\$ 731,783	\$ 686,283	\$ 633,651
Other industries	130,355	108,759	98,466
Total from industry segments	862,138	795,042	732,117
Other income, net of other deductions	(39,538)	(2,568)	559
General expenses	(58,301)	(50,282)	(41,280)
Income before income taxes	\$ 764,299	\$ 742,192	\$ 691,396
Identifiable assets at year-end:			
Soft drinks	\$2,436,192	\$2,106,451	\$1,806,914
Other industries	680,564	621,948	522,153
Total by industry segments	3,116,756	2,728,399	2,329,067
Corporate assets (principally marketable securities and fixed assets)	289,202	209,642	253,742
Total assets at year-end	\$3,405,958	\$2,938,041	\$2,582,809
Capital expenditures by industry segments:			
Soft drinks	\$ 224,152	\$ 294,946	\$ 241,670
Other industries	40,924	48,527	31,879
Depreciation and amortization by industry segments:			
Soft drinks	\$ 108,126	\$ 88,786	\$ 75,803
Other industries	23,648	22,087	17,492

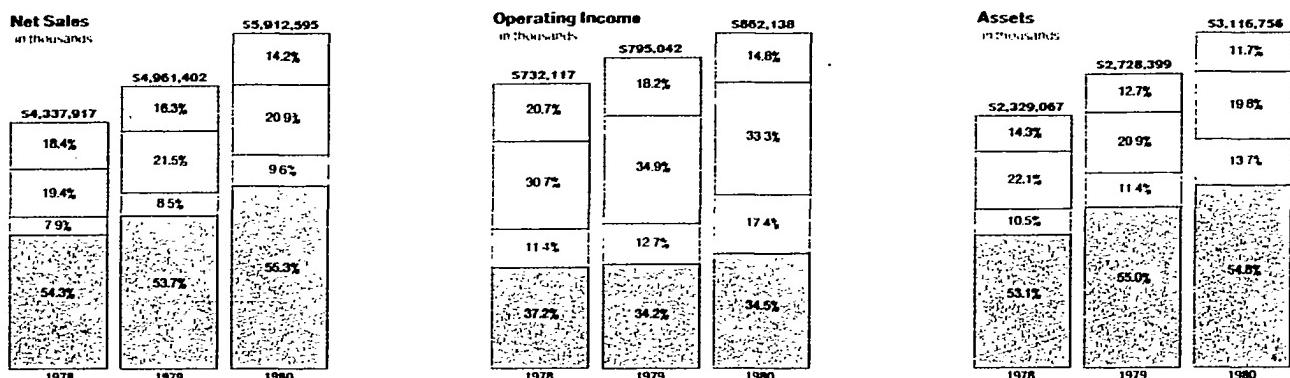


1978—1979—1980 Data by Industry Segment : Soft Drink Other Industries

Operations in Geographic Areas

Information about the Company's operations in different geographic areas is presented below (in thousands). Neither Africa nor Canada is a significant geographic area as defined by FASB 14; therefore, these areas have been grouped in accordance with the Company's management organizational structure. Inter-company transfers between geographic areas are not material.

	YEAR ENDED DECEMBER 31		
	1980	1979	1978
Net sales:			
United States and Puerto Rico	\$3,271,123	\$2,662,472	\$2,354,624
Latin America	568,197	422,259	341,169
Europe and Africa	1,235,067	1,065,492	841,936
Canada and Pacific	838,208	811,179	800,188
Total net sales	\$5,912,595	\$4,961,402	\$4,337,917
Operating income from geographic areas:			
United States and Puerto Rico	\$ 297,621	\$ 272,132	\$ 271,950
Latin America	150,221	101,091	83,743
Europe and Africa	286,718	277,356	224,570
Canada and Pacific	127,578	144,463	151,854
Total from geographic areas	862,138	795,042	732,117
Other income, net of other deductions	(39,538)	(2,568)	559
General expenses	(58,301)	(50,282)	(41,280)
Income before income taxes	\$ 764,299	\$ 742,192	\$ 691,396
Identifiable assets at year-end:			
United States and Puerto Rico	\$1,708,180	\$1,499,945	\$1,236,057
Latin America	425,332	311,018	244,090
Europe and Africa	617,227	571,749	515,344
Canada and Pacific	366,017	345,687	333,576
Total by geographic areas	3,116,756	2,728,399	2,329,067
Corporate assets (principally marketable securities and fixed assets)	289,202	209,642	253,742
Total assets at year-end	\$3,405,958	\$2,938,041	\$2,582,809



1978—1979—1980 Data by Geographic Area: ■ United States and Puerto Rico □ Latin America ▨ Europe and Africa ▨ Canada and Pacific

Supplemental Information on the Effects of Changing Prices (Unaudited)

In the 1970's, the United States experienced high rates of inflation. Many users of financial statements felt that the historical cost basis which is used in the primary financial statements did not adequately portray corporations' financial performance and well-being.

The Financial Accounting Standards Board enacted Statement No. 33, Financial Reporting and Changing Prices, to require major corporations to present supplemental information about the effects of inflation on business enterprises.

Statement of Income: The accompanying statements of income present income and expense data under three measurement methods. These are:

- a As Reported in the Primary Financial Statements - These amounts reflect the historical cost basis of accounting. Under the historical cost basis depreciation expense and cost of goods sold valued on the average method are based on the historical cost of acquiring the related assets and services. Due to inflation, these costs are expressed in dollars of varying purchasing power.
- b Adjusted for General Inflation - Under this method, historical amounts of depreciation expense and cost of goods sold valued on the average cost method are measured in dollars of the

same (constant) general purchasing power as measured by the average level of the U.S. Consumer Price Index for All Urban Consumers (CPI-U) for 1980. The amounts of revenues and other costs and expenses already approximate average 1980 constant dollars and generally remain unchanged from those amounts presented in the primary financial statements.

- c Adjusted for Changes in Specific Prices (Current Costs) - Income under current cost accounting attempts to deal with a different issue than income adjusted for general inflation. The specific prices of the Company's goods and services have risen at different rates than the general inflation rate as measured by the CPI-U. Under current cost accounting, cost of goods sold valued on the average method is adjusted to reflect current costs at the date of sale, while depreciation expense is adjusted to reflect the average current cost for the year. That portion of cost of goods sold valued on the LIFO method approximates the current cost of inventory at the date of sale and generally remains unchanged from the amounts presented in the primary financial statements.

Statement of Income Adjusted for Changing Prices

(In thousands except per share data)

Year Ended December 31, 1980

	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Constant Dollars) (Current Costs)
Net sales	\$5,912,595	\$5,912,595	\$5,912,595
Cost of goods sold (excluding depreciation)	3,370,976	3,426,734	3,428,235
Depreciation and amortization	135,929	182,581	225,686
Other operating expenses	1,638,564	1,638,564	1,638,564
Net of other (income) and deductions	2,827	2,827	2,827
Income before income taxes	5,148,296	5,250,706	5,295,312
Income taxes	764,299	661,889	617,283
Net income	\$ 422,108	\$ 319,698	\$ 275,092
Net income per share	\$ 3.42	\$ 2.59	\$ 2.22
Effective income tax rate	44.8%	51.7%	55.4%
Purchasing power gain from holding net monetary liabilities during the year		\$ 43,147	\$ 43,147
Increase in specific prices (current cost of inventories and property, plant and equipment held during the year)*			\$ 378,173
Less effect of increase in general price level			356,137
Excess of increase in specific prices over increase in the general price level			\$ 22,036

*At December 31, 1980, current cost of inventory was \$960,379 (historical amount, \$810,235) and current cost of property, plant and equipment, net of accumulated depreciation, was \$2,281,541 (historical amount, \$1,340,840).

Supplemental Information on the Effects of Changing Prices (Unaudited) (continued)

The provision for taxes on income is the same as that reported in the primary financial statements. Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. Thus, taxes are levied on the Company at rates which, in real terms, exceed established statutory rates.

During periods of inflation, monetary assets, such as cash, marketable securities and accounts receivable, lose purchasing power since they will buy fewer goods when the general level of prices has increased. Similarly, monetary liabilities, such as accounts payable, accruals and debt, result in a gain of general purchasing power because the liabilities will eventually be settled with dollars of diminished purchasing power. The Coca-Cola Company has benefited from a net monetary liability position in recent years, resulting in a net gain in purchasing power. This gain neither represents an increase in funds available for distribution to stockholders nor does it necessarily follow that incurring more debt would be beneficial to the Company. Before incurring additional debt, the Company must consider the earnings prospects and the cost of the debt.

Under current cost accounting, increases in specific prices (current cost) of inventories and properties held during the year are not included in net income. They are presented separately in the table below. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI-U to the average current cost balance of inventories and properties. The current cost increase, net of general inflation, represents the amount of the increase or decrease in the current cost of inventories and properties for The Coca-Cola Company that was greater or less than the general price level increase, as measured by the CPI-U. The increase in current cost for 1980 consists of the following amounts (in thousands):

	Inventories	Properties	Total
Current cost increases	\$140,407	\$237,766	\$378,173
Less general inflation	100,123	256,014	356,137
Current cost increase, net of general inflation	\$ 40,284	\$ (18,248)	\$ 22,036

Under the FASB standard the current cost increase is not reduced by any income taxes that will become payable if current cost increases are realized.

The current cost of finished products inventory was approximated by adjusting historical amounts to reflect current costs for material, labor and other overhead expenses as well as current cost depreciation, where applicable. Current cost determined for inventories other than finished products was established with the use of appropriate supplier quotations or price lists and by other managerial estimates consistent with established purchasing and production procedures. Cost of goods sold determined under the average method were estimated based on current costs of inventories at the date of sale. The portion of cost of goods sold determined under the LIFO method approximates the current cost of inventory at the date of sale and generally remains unchanged from the amounts presented in the primary financial statements.

Direct supplier quotations, published price lists, engineering estimates, construction quotations, appraisals, published and internally developed indexes were the methods used to determine the current cost of property, plant and equipment items.

Current cost depreciation is based on the average current cost of properties during the year. The depreciation methods (primarily straight-line), salvage values and useful lives are the same as those used in preparing the primary financial statements.

The current cost of properties is based on the type of assets presently owned by the Company rather than adjusted to reflect technologically superior assets which may be available and which may result in operating cost savings. However, technologically superior replacement assets may require significantly greater capital outlays than reflected by the assets presently owned by the Company, tending to partially offset any operating cost savings.

Supplemental Information on the Effects of Changing Prices (Unaudited)

(continued)

Five-Year Comparison of Selected Financial Data:
 All amounts in the five-year comparison are stated in average 1980 constant dollars. Prior years' data have been adjusted upward by a factor representing subsequent general inflation, so as to express them in terms of purchasing power comparable to 1980 dollars.

The determination of net assets reflects a partial

application of the inflation accounting methods. Other assets of \$275,822,000 consisting primarily of goodwill, miscellaneous investments and prepaid expenses have not been adjusted for general inflation or specific price changes. In addition, non-current receivables and payables have not been converted to reflect specific price changes, i.e., changes in interest rates.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices (In Average 1980 Dollars)

(In thousands except per share data)

	YEAR ENDED DECEMBER 31				
	1980	1979	1978	1977	1976
Net sales	\$5,912,595	\$5,632,355	\$5,479,008	\$4,922,179	\$4,553,870
Historical cost information adjusted for general inflation					
Net income	319,698	386,650			
Net income per share	2.59	3.13			
Net assets at year-end	2,696,032	2,698,664			
Current cost information					
Net income	275,092	334,313			
Net income per share	2.22	2.70			
Excess of increase in specific prices over increase in the general price level	22,036	182,239			
Net assets at year-end	3,181,523	3,211,448			
Purchasing power gain on net monetary items	43,147	23,545			
Cash dividends declared per common share*					
As reported	\$ 2.16	\$ 1.96	\$ 1.74	\$ 1.54	\$ 1.325
Adjusted for general inflation	2.16	2.23	2.20	2.09	1.92
Market price per common share at year-end*					
Historical amount	\$ 33,375	\$ 34,50	\$ 43,875	\$ 37,25	\$ 39,50
Adjusted for general inflation	31.86	37.09	53.37	49.41	55.94
Average Consumer Price Index—Urban	246.8	217.4	195.4	181.5	170.5

*Adjusted for a two-for-one stock split in 1977

Management's Comments on Data Adjusted for Inflation: Management believes it is clear that high rates of inflation significantly erode the purchasing power of corporate earnings and raise the effective tax rates on industry. However, it should be recognized that current methods to quantify these effects are still experimental in nature. The adjustments for general inflation, based on the U.S. Consumer Price Index for All Urban Consumers, may not accurately reflect the effect of inflation on either domestic or foreign operations of the Company. The U.S. Consumer Price Index for All Urban Consumers is based on changes in the costs to United States consumers of a wide range of commodities and services. It is not intended to represent the effects of

inflation on a specific corporation or individual. The validity of the use of this index is further questioned because a significant percentage of the Company's assets are located outside the United States.

The adjustments for specific price changes involve a substantial number of judgements as well as the use of various estimating techniques that have been employed to limit the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved, or of the amount at which the assets could be sold. Rather, they represent reasonable approximations of the price changes that have occurred in the business environment in which the Company operates.

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	UGO F. IPPOLITO Secretary and General Counsel	

Other Information

The Coca-Cola Company continues its commitment to the principles of Equal Employment Opportunity in all policies regarding recruitment, hiring, transfers, promotions, compensation, benefits, training, lay-off, recall and other terms and conditions of employment. To insure that these policies are administered without regard to race, color, religion, sex, age, national origin or handicap, the Company has an Affirmative Action Plan in each domestic location and monitors progress closely.

Management continues to stress the importance of utilizing talented men and women of all races and national origins at least in proportion to their availability in the workforce. Beginning in 1980, data compiled by the Company include newly acquired facilities located in areas with extremely small minority populations. Despite the increased data base, the representation of minority group members in the Company's domestic workforce has continued to be in excess of the minority population estimates both nationwide and at each location. Minorities comprise 24 percent of this workforce, excluding Puerto Rico.

In 1980, minority representation in white collar positions remained stable overall, and a future increase is anticipated. Aided by the efforts of Coca-Cola USA and the Foods Division to increase significantly the number of minorities in salaried sales positions, the Company increased its minority representation in this job category to 10 percent. Minorities continue to hold more than 33 percent of blue collar positions at all skill levels.

Despite a low level of overall workforce expansion, the number of women in management

rose by 20 percent in 1980. Inroads were made in both engineering and scientific disciplines, and the number of women in salaried sales positions grew by 32 percent. Women remain consistently well represented in the Company's professional workforce as compared to the level of participation in the general workforce.

The emphasis on the quality of professional placements and significant work assignments continues to be a primary focus in the attainment of objectives set for both women and minorities in management.

The Company also recognizes its social responsibility to enhance the ability of disadvantaged groups to enter the workforce through special support programs such as trainee positions and scholarships.

In addition, The Coca-Cola Company actively seeks to increase its purchase of goods and services from minority firms in the U.S. through its Minority Purchasing Program and is a strong supporter of the National Minority Supplier Development Council.

It is the policy of the Company to demonstrate responsible corporate citizenship in the communities in which it operates. Financial support is given to charitable, educational, civic and other organizations whose programs benefit and improve the general welfare of society. A brochure setting forth the Company's social responsibility and commitment to good citizenship is available to any stockholder of The Coca-Cola Company upon request. Address requests to the Office of the Secretary, The Coca-Cola Company, P.O. Drawer 1734, Atlanta, Georgia 30301.

Automatic Dividend Reinvestment Plan

An increasing number of the nearly 80,000 stockholders of The Coca-Cola Company are participants in the Company's Automatic Dividend Reinvestment Plan. This plan is a convenient and economical way by which stockholders may increase their holdings in The Coca-Cola Company. Under the plan, dividends due participating stockholders are deposited directly with the Trust Company Bank which, as administrator, combines the purchases of all participating stockholders to give each the economies of large-scale purchases. The cost of purchasing The Coca-Cola Company stock through the plan is less than the usual broker commission for small transactions. In addition, a service fee is payable to the administrator for such services.

For more information on the Automatic Dividend Reinvestment Plan, stockholders may write:

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, GA 30302

Annual Meeting

The Coca-Cola Company Annual Meeting of Stockholders will be held May 4, 1981, at 10:00 A.M. at 100 West Tenth Street, Wilmington, Delaware. Formal notice of the meeting, together with the proxy statement, will be mailed to each stockholder.

Form 10-K

A copy of the Company's 1980 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available to any stockholder of The Coca-Cola Company upon request at no charge. Address requests to the Chief Financial Officer, The Coca-Cola Company, P.O. Drawer 1734, Atlanta, GA 30301.

Dividend Disbursing Agent

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, GA 30302

Transfer Agents/Registrars

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, GA 30302

Morgan Guaranty Trust
Company of New York
Stock Transfer Department
30 West Broadway
New York, NY 10015